SPI (Australia) Assets Pty Ltd

ABN 60 126 327 624

Financial statements for the year ended 31 March 2009

Contents

Directors' report

The Board of Directors of SPI (Australia) Assets Pty Ltd ("the Company") has pleasure in submitting its report, together with the financial report, on the consolidated entity (referred to hereafter as "the Group") consisting of the Company and the entities it controlled at the end of or during the year to 31 March 2009. The comparative information is for the period from 18 July 2007 (being the date of incorporation) to 31 March 2008. Operations results for the comparative period are for the 7 month period from 31 August 2007 (being the date of acquisition) to 31 March 2008.

Directors
The following persons were directors of the Company during the whole of the financial year and up to the date of this report (unless otherwise stated):

Mr Quek Poh Huat
Mr Peter William Magarry
Mr Yap Chee Keong
Mr Lim Howe Run
Mr Chia Chee Ming, Timothy (appointed 4 July 2008)
Mr Dilhan Pillay Sandrasegara (appointed 7 July 2008)
Mr Paul John Adams (appointed 10 November 2008)
Ms Lim Lay Hong (appointed 1 February 2009 - alternate to Mr Yap Chee Keong)

Principal activities
The Group consists of two operating businesses, infrastructure investments and infrastructure services. The infrastructure investments business has ownership interests in a number of regulated and unregulated assets in the Australian energy sector. The infrastructure services business delivers engineering, design and construction and field based maintenance services across gas, electricity and water.

The operating businesses comprise of the following principal segments:

Infrastructure Investments Business

Electricity Distribution
Jemena Electricity Network, a Victorian electricity distribution business supplying electricity to over 300,000 homes and businesses through approximately 11,000 kilometres of distribution system. The network services 950 square kilometres of northwest greater Melbourne.

Gas Distribution
Jemena Gas Network, a New South Wales gas distribution business was established in 1837 and owns approximately 24,000 kilometres of natural gas distribution system, delivering approximately 100 petajoules per annum ("PJ p.a") of natural gas to more than 1 million homes and businesses across New South Wales.

Gas Transmission
The Eastern Gas Pipeline transports gas 796 kilometres from the Gippsland Basin in Victoria to Sydney and regional NSW, and has a current capacity of approximately 91 PJ p.a.

The Queensland Gas Pipeline transports gas 627 kilometres from the Surat and Cooper Basins to Gladstone and Rockhampton, and has a current capacity of approximately 27 PJ p.a.

VicHub is a pipeline interconnect facility situated at Longford, Victoria. The facility was commissioned in January 2003 and enables gas to flow between the Eastern Gas Pipeline, Tasmanian Gas Pipeline and APA Group's Victorian gas transmission system. The facility has a nominal daily capacity of 150 terajoules per day ("TJ p.d").

Energy Investment
The Company owns a 34% interest in United Energy Distribution Holdings Pty Ltd ("UEDH"), the ultimate holding company of United Energy Distribution Pty Ltd ("UED"). UED distributes electricity throughout southeast Melbourne and the Mornington Peninsula in Victoria. The network covers approximately 10,000 kilometres of electricity lines and services over 600,000 end users.

The Group holds a 50% interest in the ActewAGL Distribution Partnership. The partnership owns, plans, develops, constructs, operates and maintains the electricity network in the Australian Capital Territory ("ACT") and the gas networks in the ACT, Queanbeyan and Nowra and manages all water and wastewater operations in the ACT. The remaining 50% of the partnership is owned by ACTEW Distribution Limited, a subsidiary of ACTEW Corporation Limited. ACTEW Corporation Limited is a government owned company with assets and investments in water, wastewater, electricity, gas and telecommunications.

Principal activities (continued)
The Group holds a minority interest (6.8%) in TransACT Communications Pty Ltd (TransACT). TransACT is a communications company launched in May 2000. TransACT operates a broadband communications network across Canberra and surrounding suburbs and offers a suite of services including subscription television, broadband and phone services. ActewAGL Partnership provides a number of services for the TransACT business including marketing, customer service, sales and billing systems.

Infrastructure Services Business

Asset Management
The infrastructure services business of the Group, through its Jemena Asset Management business, is a management and service provider to owners of electricity, gas and water infrastructure assets. These services range from multi year contracts for a full suite of asset management planning, control room, construction, maintenance, metering, billing, back office services and corporate support services to single project-specific contracts for either construction or maintenance.

Dividends
No dividends were declared or paid by the Company during the year ended 31 March 2009.

Review of operations
The net profit after tax of the Group for the year ended 31 March 2009 was $46.8 million (period 2008: $30.9 million loss). The financial results have been reported in accordance with Australian Accounting Standards (including Australian Interpretations) and the Corporations Act 2001.

Significant changes in the state of affairs
Re-capitalisation of the Group (debt refinancing)
The Group undertook a capital restructure during the financial year via a debt refinancing process. This resulted in the incorporation of a $3.4 billion Syndicated Facility Agreement ("SFA") in July 2008, replacing the circa $5.3 billion of acquisition bridge loans the Group had in place at 31 March 2008. The reduction in debt was also financed via Trust Loans, additional funds which are akin to equity, from the Group's ultimate owner, Singapore Power Limited ("SP"). These funds are classified as a current liability at balance date. Accounting standards deem that the terms of the agreement underpinning the funds injection do not satisfy a classification of equity, due to the amounts owing being at call. Whilst the terms of the loans indicate they are repayable on demand, the Directors have received a letter of undertaking confirming there is no intention to call upon the Trust Loans for at least the next 12 months, if doing so would cause the Company to be unable to meet its debts and obligations as and when they fall due. The Trust Loans liability is non-interest bearing.

Transfer of 34% shareholding of UEDH into SPIAA Group
In December 2008 the Group accepted the transfer of a 34% shareholding in UEDH from Westnet Infrastructure Group Ltd ("WIGL") (formerly Alinta 2000 Ltd). As part of the sale of the former Alinta Group to the consortium of Singapore Power International Pte Ltd and various Babcock and Brown entities, the 34% stake in UEDH was allocated to the SPIAA Group. However due to outstanding consent related issues with the other shareholders of UEDH, the 34% shareholding was not legally transferred until December 2008. The Group has taken a substance view of the UEDH investment since acquisition and included its share of the UEDH results in its financial statements.

Company Rebranding
In August 2008 the Group rebranded its name, logo and image from Alinta to Jemena. The Group was required to perform a rebranding exercise as the ownership of the former Alinta brand was retained by Babcock & Brown Power under the terms of the Alinta sale agreement. Most of the legal entities names within the SPIAA Group have removed the reference to Alinta and replaced it with Jemena.

Matters subsequent to the end of the financial year
On 1 May 2009, the Australian Energy Regulator ("AER") released its final report on the Weighted Average Cost of Capital ("WACC") to be used in determining tariffs for electricity distribution and transmission businesses. This determination will be applied to Jemena Electricity Network's next regulatory reset period 2011-2015.

On 1 May 2009, Westnet Infrastructure Group Ltd (formerly known as Alinta 2000 Ltd), a company owned by Babcock and Brown Infrastructure Ltd, transferred its 51% ownership of Alinta Asset Management Pty Ltd ("AAM") to a wholly owned subsidiary of the Company. AAM is therefore, from 1 May 2009, a wholly owned subsidiary of the Company.

Refer to note 38 for details regarding the ownership of AAM in the financial year ending 31 March 2009.

No other matter or circumstance has arisen since 31 March 2009 that has significantly affected, or may significantly affect:
(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Further information on likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation and performance
The operations of the Group are subject to environmental regulations under both Commonwealth and State legislation relating to assets in which the Group has an ownership interest and works end services provided by the Group to third parties. The directors are not aware of any significant breaches during the period covered by this report.

During the year ended 31 March 2009, the Group aims to control the impact of its activities on the environment and to the greatest extent possible, ensure that its operations and those of its subsidiaries, are conducted in accordance with existing legislative requirements.

The Group has not incurred any liability (including any rectification costs) under any environmental legislation.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor
The appointment of the Group's external auditor is 1) reviewed; and 2) reconfirmed, on an annual basis.

This report is made in accordance with a resolution of directors.

Quek Poh Huat
Director

Paul John Adams
Director

Date: 4th May '09.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of SPI (Australia) Assets Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Michael Bray
Partner

Melbourne

4 May 2009

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	Notes	Consolidated 1 April 2008 to 31 March 2009 $'000	Consolidated 18 July 2007 to 31 March 2008* $'000	Parent 1 April 2008 to 31 March 2009 $'000	Parent 18 July 2007 to 31 March 2008* $'000
Revenue from continuing operations	6	**1,282,392**	619,314	-	-
Other income	7	**19,840**	11,808	**23,236**	46,425
Employee benefits expense		**(218,472)**	(132,778)	-	-
Depreciation and amortisation expense		**(170,999)**	(86,529)	-	-
Maintenance expense		**(431,988)**	(200,577)	-	-
Other expenses		**(120,065)**	(53,176)	**(7,918)**	(5,123)
Operating profit before net finance costs		**360,708**	158,062	**15,318**	41,302
Finance income	8	**14,767**	15,728	**211,093**	113,329
Finance costs	8	**(341,772)**	(286,664)	**(292,408)**	(248,422)
Change in fair value of effective economic hedge instruments that did not qualify for hedge accounting	8	**-**	46,732	-	-
Unwind of effective economic hedge instruments that did not qualify for hedge accounting in the period ended 31 March 2008	8	**(10,927)**	-	-	-
Net finance costs	8	**(337,932)**	(224,204)	**(81,315)**	(135,093)
Share of net profits of associate and joint venture accounted for using the equity method		**51,446**	23,729	-	-
Profit/(loss) before income tax		**74,222**	(42,413)	**(65,997)**	(93,791)
Income tax benefit/(expense)	9	**(27,423)**	11,466	**38,939**	35,038
Profit/(loss) from continuing operations		**46,799**	(30,947)	**(27,058)**	(58,753)
Profit/(loss) for the period		**46,799**	(30,947)	**(27,058)**	(58,753)

**Comparative operations results are for the 7 month period from 31 August 2007 (being the date of acquisition) to 31 March 2008.*

The above income statements should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	**42,203**	81,550	**9,898**	22,097
Receivables	11	**289,187**	289,918	**94,098**	94,938
Inventories	12	**26,254**	16,387	**-**	-
Derivative financial instruments	13	**161**	83	**-**	-
Current tax receivables	14	**58,376**	77,748	**65,128**	90,681
Other current assets	15	**10,295**	6,353	**-**	-
Total current assets		**426,476**	472,039	**169,124**	207,716
Non-current assets					
Receivables	16	**12,240**	6,800	**5,511,023**	5,037,637
Investments accounted for using the equity method	17	**867,789**	989,374	**271,030**	265,760
Other financial assets	18	**-**	-	**2,515,998**	2,417,451
Property, plant and equipment	19	**4,843,975**	4,632,452	**-**	-
Deferred tax assets	28	**40,667**	-	**117,268**	70,243
Intangible assets	20	**2,913,300**	2,832,210	**-**	-
Derivative financial instruments	13	**78,895**	25,452	**864**	-
Total non-current assets		**8,756,866**	8,486,288	**8,416,183**	7,791,091
Total assets		**9,183,342**	8,958,327	**8,585,307**	7,998,807
LIABILITIES					
Current liabilities					
Payables	21	**280,580**	304,642	**66,921**	88,411
Provisions	22	**88,799**	214,987	**44,124**	57,979
Interest bearing liabilities	23	**55,000**	5,320,000	**55,000**	5,320,000
Derivative financial instruments	13	**167**	57,628	**-**	-
Interest bearing debt securities	24	**275,000**	274,372	**-**	-
Trust loans	25	**4,500,017**	2,106,484	**4,500,017**	2,106,484
Other current liabilities	26	**8,754**	6,842	**-**	-
Total current liabilities		**5,208,317**	8,284,955	**4,666,062**	7,572,874
Non-current liabilities					
Interest bearing liabilities	27	**3,858,843**	584,285	**3,451,648**	-
Derivative financial instruments	13	**118,868**	23,545	**-**	-
Deferred tax liabilities	28	**-**	5,928	**-**	-
Provisions	29	**108,707**	109,879	**29,800**	-
Other non-current liabilities	30	**3,179**	405	**523,003**	484,686
Retirement benefit obligations	31	**62,886**	4,216	**-**	-
Total non-current liabilities		**4,152,483**	728,258	**4,004,451**	484,686
Total liabilities		**9,360,800**	9,013,213	**8,670,513**	8,057,560
Net assets/(liabilities)		**(177,458)**	(54,886)	**(85,206)**	(58,753)
EQUITY					
Share capital	32	**-**	-	**-**	-
Reserves	33(a)	**(121,249)**	878	**605**	-
Accumulated losses	33(b)	**(56,209)**	(55,764)	**(85,811)**	(58,753)
Total equity/(deficiency)		**(177,458)**	(54,886)	**(85,206)**	(58,753)

The above balance sheets should be read in conjunction with the accompanying notes.

		Consolidated		Parent	
	Notes	**1 April 2008 to 31 March 2009 $'000**	18 July 2007 to 31 March 2008* $'000	**1 April 2008 to 31 March 2009 $'000**	18 July 2007 to 31 March 2008* $'000
Actuarial losses on retirement benefit obligation, net of tax	33	**(47,244)**	(24,817)	-	-
Changes in the fair value of cash flow hedges, net of tax	33	**(122,510)**	(1,178)	**605**	-
Exchange differences on translation of foreign operations	33	**383**	2,056	-	-
Net income/(loss) recognised directly in equity		**(169,371)**	(23,939)	**605**	-
Profit/(loss) for the period		**46,799**	(30,947)	**(27,058)**	(58,753)
Total recognised income and expense for the period		**(122,572)**	(54,886)	**(26,453)**	(58,753)

**Comparative operations results are for the 7 month period from 31 August 2007 (being the date of acquisition) to 31 March 2008.*

Other movements in equity arising from transactions with owners are set out in note 33 .

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

	Notes	Consolidated 1 April 2008 to 31 March 2009 $'000	Consolidated 18 July 2007 to 31 March 2008* $'000	Parent 1 April 2008 to 31 March 2009 $'000	Parent 18 July 2007 to 31 March 2008* $'000
Cash flows from operating activities					
Profit/(loss) before income tax		74,222	(42,413)	(65,997)	(93,791)
Adjustments for:					
Depreciation and amortisation		170,999	86,529	-	-
Share of results of associate and joint venture		(51,446)	(23,729)	-	-
Interest income		(14,767)	(15,728)	(211,093)	(113,329)
Interest expense		352,699	239,932	292,408	248,422
Loss/(gain) on disposal of fixed assets		4,844	(416)	-	-
Gain on disposal of investment		-	-	-	(23,000)
Exchange differences		1,576	10	1,891	-
Operating profit before changes in working capital and provisions:					
Trade and other receivables		94,686	(54,457)	(1,258)	(9,485)
Trade and other payables		(171,895)	(4,066)	(26,570)	(48,296)
Others		32,395	2,157	8,722	-
Interest received		6,941	14,437	187,057	106,027
Income taxes received/(paid)		18,540	(6,585)	(33,613)	-
Net cash inflow from operating activities		518,794	195,671	151,547	66,548
Cash flows from investing activities					
Payment for purchase of business, net of cash acquired	37	(65,594)	(7,039,164)	-	(7,083,000)
Payments for property, plant and equipment and intangibles		(408,134)	(127,481)	-	-
Loans to third parties		-	(28,802)	-	(28,802)
Proceeds from sale of property, plant and equipment		7,984	9,750	-	-
Proceeds from disposal of investment		-	160,800	-	165,000
Acquisition of interest in associate		(5,270)	-	(5,270)	-
Loans to associate		(5,440)	-	(5,440)	-
Dividends received from investments in associate and joint venture		35,123	35,690	6,800	9,690
Net cash outflow from investing activities		(441,331)	(6,989,207)	(3,910)	(6,937,112)
Cash flows from financing activities					
Proceeds from borrowings from a related company		2,393,592	2,106,484	1,992,930	2,106,484
Proceeds from borrowings		3,525,000	5,655,000	3,525,000	5,655,000
Loan to a related company		-	-	-	(336,375)
Repayment of borrowings		(5,650,164)	(660,000)	(5,320,000)	(335,000)
Interest paid		(361,803)	(226,398)	(334,331)	(197,448)
Debt issuance cost		(23,435)	-	(23,435)	-
Net cash inflow from financing activities		(116,810)	6,875,086	(159,836)	6,892,661
Net increase/(decrease) in cash and cash equivalents		(39,347)	81,550	(12,199)	22,097
Cash and cash equivalents at the beginning of the period		81,550	-	22,097	-
Cash and cash equivalents at end of the period	10	42,203	81,550	9,898	22,097

**Comparative operations results are for the 7 month period from 31 August 2007 (being the date of acquisition) to 31 March 2008.*

The above cash flow statements should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Basis of preparation

SPI (Australia) Assets Pty Ltd ("the Company") is a company domiciled in Australia. The financial report includes separate financial statements for the Company as an individual entity and the consolidated entity consisting of SPI (Australia) Assets Pty Ltd, as the parent, and its subsidiaries (together referred to as "the Group").

As the Company was incorporated on 18 July 2007 and its subsidiaries were acquired on 31 August 2007, the comparatives are for the period 18 July 2007 to 31 March 2008. Operations results are for the 7 months from 31 August 2007 to 31 March 2008.

A consortium comprising Singapore Power International Pte Ltd ("SPI"), Babcock & Brown Infrastructure Ltd ("BBI"), Babcock & Brown Power Ltd ("BBP"), and Babcock & Brown Wind Ltd ("BBW"), together the "Consortium", acquired Alinta Ltd and its controlled entities (the "Alinta group") on 31 August 2007. As part of the acquisition by the Consortium, the Company (being a subsidiary of SPI) acquired the following components of the Alinta group:

- The asset management business comprising 100% of the operations of Jemena Asset Management Pty Ltd (previously known as Alinta Asset Management (3) Pty Ltd) and the eastern Australian operations of Alinta Asset Management Pty Ltd now trading as "Jemena East"
- NSW Gas Distribution Network
- Victorian Electricity Distribution Network
- Queensland Gas Pipeline ("QGP")
- Eastern Gas Pipeline ("EGP")
- Vichub Interconnect Facility ("Vichub")
- Alinta LGA Ltd ("Alinta LGA") and its controlled entities
- 34% investment in United Energy Distribution Holdings Pty Ltd ("UEDH")
- 50% investment in ActewAGL Distribution Partnership ("ActewAGL")
- 6.8% investment in TransAct Communications Pty Ltd

Going concern basis of accounting

The Group has a deficiency of net assets. Further, the Group's current liabilities exceed its current assets by $4,782 million This is primarily due to loans amounting to $4,500 million (refer notes 3(f)(ii) and 25) issued to the Company by SPI (Australia) Trust (Trust Loans), a wholly owned entity of Singapore Power International Pte Ltd (SPI) and current interest bearing liabilities (working capital facilities of $55 million, refer note 3(f)(v) and 23, and debt securities (fixed rate notes of $275 million, refer note 3(f)(iii) and 24, totalling $330 million). SPI is the Singapore parent entity of the Company, a wholly owned subsidiary of the Group's intermediate owner, Singapore Power Limited ("SP").

The Trust Loans are classified as current debt as they are repayable on demand. The loans are non-interest bearing and subordinated to existing debt facilities, and therefore are akin to equity provided by SPI to the Company.

Whilst the terms of the Trust Loans indicate they are repayable on demand, the Directors of SPI have issued a letter of undertaking confirming their intention not to call upon the Trust Loans for at least the next 12 months if doing so would cause the Company to be unable to meet its debts and obligations as and when they fall due. The Directors of SPI have also confirmed that SPI has the capacity to provide this support.

The refinancing plan for the current interest bearing liabilities and debt securities of $330 million has been approved by the Company's Board and in principle approvals have been received from debt providers.

Hence the directors believe that the going concern basis of accounting is appropriate. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal trading operations as the Group is trading profitably and has the abovementioned undertaking letter from its parent company.

1. Basis of preparation (continued)

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and Interpretations adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements and notes also comply with International Financial Reporting Standards ("IFRSs") and Interpretations adopted by the International Accounting Standards Board.

The general purpose financial report was authorised for issue on 4 May 2009.

(b) Basis of measurement

Historical cost convention
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of defined benefit superannuation funds and derivative financial instruments.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of members of the Group.

(d) Accounting policies

Significant accounting policies for this general purpose financial report are presented in note 2 below.

(e) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable judgements under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements, are discussed in note 4.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes separate financial statements for SPI (Australia) Assets Pty Ltd as an individual entity and the consolidated entity consisting of SPI (Australia) Assets Pty Ltd and its subsidiaries.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SPI (Australia) Assets Pty Ltd ("company" or "parent entity") as at 31 March 2009 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The Group has a 49% shareholding in Alinta Asset Management Pty Ltd ("AAM"). The remaining 51% is held by Westnet Infrastructure Group Ltd (formerly Alinta 2000 Limited), a company owned by Babcock & Brown Infrastructure Ltd. Upon receipt of relevant consents, ownership will be transferred to the Group. The Group is entitled to a revenue stream from AAM which reflects the earnings derived by AAM from the east coast asset management business conducted by AAM. The Group uses proportional consolidation to include the assets employed, liabilities incurred, income derived and expenses incurred from the east coast operations in their respective classification categories.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures
Jointly controlled assets:
The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

2 Summary of significant accounting policies (continued)

(a) Principles of consolidation (continued)

Joint venture entities:
The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(b) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the steering committee that makes strategic decisions.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Revenue is recognised for the major business activities as follows:

(i) Services revenue
Services revenue includes revenue earned from the distribution of electricity, transmission and distribution of gas.

Services revenue is recognised on delivery which coincides with the stage of completion of the service. Customers are billed for sales on a periodic and regular basis. However, as at each balance date, sales and receivables include an estimation of sales delivered to customers but not yet billed ("unread sales"). This estimation is based on previous consumption patterns and meter reading dates.

Services revenue also includes the following:

Rendering of asset management services:
Revenue from rendering of asset management services is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured. The stage of completion is assessed by reference to work performed.

Where the outcome of an asset management contract cannot be reliably estimated, contract costs are expensed as incurred. Revenue is only recognised to the extent of costs incurred where it is probable that the costs will be recovered. An expected loss is recognised immediately as an expense.

2 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

From time to time the Group can receive revenue in advance of providing the services. This revenue is treated as unearned and is not recognised in the income statement but deferred to the balance sheet.

Construction contracts:
Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated.

Stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of estimated total hours and costs for each contract.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(ii) Contributions from customers for capital works
Contributions received from customers to assist in the financing of asset construction are recognised as revenue when the project is complete.

(iii) Interest income
Interest income is recognised as it accrues using the effective interest method.

(iv) Dividends
Dividends are recognised as revenue when the right to receive payment is established.

Dividends received from associates are accounted for in accordance with the equity method of accounting.

(e) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(f) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through the profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

(g) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2 Summary of significant accounting policies (continued)

(g) Income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are not recognised to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

Tax consolidation legislation
The Company is the head entity in the tax consolidated group comprising the Company and its wholly owned Australian tax resident subsidiaries. Entities that are not 100% owned and entities that are not residents for Australian tax purposes are treated as separate single tax entities.

The tax consolidated group has entered into a tax funding arrangement that requires the wholly owned Australian tax resident subsidiaries to make contributions to the head entity for current tax assets and liabilities arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding arrangement, the contributions are calculated on a "group allocation method" so that the contributions are equivalent to the tax balances generated by external transactions entered into by the wholly owned Australian tax resident subsidiaries, adjusted for intragroup dividends. The contributions are payable as set out in the arrangement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities.

The members of the tax consolidated group have also entered into a tax sharing agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits at call.

(i) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses. Receivables are usually settled within no more than 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expense in the income statement.

(j) Inventories

Inventories consist of parts and consumables and are stated at the lower of cost or net realisable value.

2 Summary of significant accounting policies (continued)

(k) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of direct production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative period are as follows:

Category	**Useful life (years)**
Easements	40
Freehold buildings	30 - 50
Leasehold buildings	5 - 25
Plant and equipment:	
- Mains (Gas)	15 - 120
- Mains (Electricity)	15 - 55
- Transformers and switchgear	15 - 45
- Pipelines	40 - 50
Motor vehicles and other	3 - 20

The residual value, if significant, is reassessed annually.

(l) Intangible assets

(i) Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment (refer note 2(m)). The investment in associates includes goodwill identified on acquisition.

(ii) Distribution licences
Licences are held to distribute electricity within the Group's licensed regions. Licences are stated at cost less accumulated impairment losses. No amortisation is provided for licences as, in the opinion of management, the licences have unlimited useful lives. Distribution licences are tested for impairment annually and whenever there is an indication that the distribution licences may be impaired, any impairment loss is recognised immediately in the income statement.

(iii) Software licences
Software licences are recorded at cost and amortised on a straight line basis over their remaining useful lives. The estimated useful life for software licences in the current and prior period is between 3 to 5 years.

(iv) Contract intangibles
Contract intangibles arising from a business combination are recorded at cost, being the present value of identified contracted net cash flow streams (including renewal options), and are amortised on a straight line basis over the estimated contract lives. The weighted average estimated contract life is 17.2 years.

(v) Assets under construction
Intangible assets under construction are stated at cost. No amortisation is provided until the commencement of the operation of the intangible assets.

2 Summary of significant accounting policies (continued)

(m) Impairment of assets

i) Financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows associated with that asset.

When there is a decline in the recoverable amount of the Group's receivables, an impairment loss is recognised in the income statement.

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

ii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories (refer note 2(j)) and deferred tax assets (refer note 2(g)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated each year.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses in respect of other assets are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The carrying amounts of non current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets which collectively comprise a cash generating unit (CGU).

The recoverable amount of an asset or CGU is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Except where specifically stated, non current assets are recorded at the lower of cost or the recoverable amount.

In assessing recoverable amounts of non current assets, the relevant cash flows have been discounted to their present values.

2 Summary of significant accounting policies (continued)

(n) Investments and other financial assets

Investments in subsidiaries are measured at cost in the parent entity's financial statements.

(o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are stated at amortised cost.

(p) Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non accumulating sick leave is recognised in the income statement when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations
Defined benefit superannuation plans:
The Group's net obligation in respect of defined benefit superannuation plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

2 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses represent the difference between actual experience and expectations based upon a set of actuarial assumptions. For example, underlying assumptions have changed or investment returns and salary increases were different to expectations. The Group recognises actuarial gains and losses directly in retained profits.

Defined contribution superannuation plans:
Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement when they are due.

(iv) Profit-sharing and bonus plans
A liability for employee benefits in the form of bonus plans is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(v) Termination benefits
Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors or provisions as applicable.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured at the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(vi) Employee benefit on-cost
Employee benefit on costs, including payroll tax, workers' compensation and superannuation guarantee levy, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(s) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Finance lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

(t) Derivatives and hedging activities

The Group uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its exposure to foreign exchange and interest rates arising from financing activities, with the instruments matching exactly to the underlying debt being hedged. In accordance with its treasury policy, the Group does not speculatively trade in derivative financial instruments. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement of fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps and cross currency swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest and foreign exchange rates and the current creditworthiness of the swap counterparties. The fair value of foreign exchange contracts is their quoted market price at the balance sheet date.

(i) Fair value hedge
Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is restated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecast transaction subsequently results in the recognition of a non financial asset or non financial liability, or the forecast transaction for a non financial asset or non financial liability becomes a firm commitment for which cash flow hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (e.g., when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a cash flow hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement or used to adjust the initial cost of the non financial item.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2 Summary of significant accounting policies (continued)

(u) Fair value estimation

The fair value and net fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Appropriate transaction costs are included in the determination of net fair value.

(v) Business combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The purchase method requires the identification of the acquirer, being the entity that obtains control of the other combining entities or businesses. The accounting acquirer may not be the legal acquirer.

Cost of the business combination is measured as the fair value of the assets given, equity issued or liabilities incurred or assumed by the accounting acquirer at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 2(l)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(w) New accounting standards and interpretations

The following standards are available for early adoption at 31 March 2009, but have not been applied in preparing the financial statements:

Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
- Transaction costs, other than share and debt issue costs, will be expensed as incurred
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Group's 31 March 2011 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statement.

Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 31 March 2011 financial statements are not expected to have a significant impact on the consolidated financial statements.

2 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 31 March 2010 financial statements, will required a change in the presentation on and disclosure of segment information based on internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. This standard is not expected to have a significant impact on the disclosure of the Group's operating segments.

Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 31 March 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 31 March 2010 financial statements and will not have an impact on the financial statements as the Group currently capitalises borrowing costs on qualifying assets.

There are also other minor amendments and revisions to standards and interpretations as well as disclosure changes issued during the year that have not been early adopted. As these changes are minor in nature or relate to disclosure rather than measurement issues, they are not expected to result in any material changes to the Group's financial results.

The potential effect of these standards and interpretations is yet to be fully determined. However it is not expected that the new standards and interpretations will significantly affect the Group's financial report.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

3 Financial risk management

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Group manages its exposure to these risks in accordance with its Treasury Risk Policy which is approved by the Board. The policy is reviewed annually or more regularly if required by a significant change in the Group's operations. Any suggested changes are submitted to the Board for approval.

The objective of the Treasury Risk Policy is to document the Group's approach to treasury risk management and to provide a framework for ongoing evaluation and review of risk management techniques. The policy identifies each type of financial risk to which the Group is exposed. The policy provides an analysis of each risk and the objective of and techniques for managing the risk, including identifying and reporting risks to management and the Board.

Treasury evaluates and hedges financial risks in close co-operation with the Group's operating units. The Treasury Risk Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

The Treasury Risk Policy operates in conjunction with several other policies of the Group, including the:

- SPIAA Authority Manual which sets out the approvals required for such things as investment of surplus funds, execution of hedging transactions, borrowings and issue of guarantees and indemnities;
- SPIAA Treasury Operations Manual which sets out the day-to-day Treasury front office processes such as cash management and the operations of the Treasury back office, such as settlement processes and bank account operations; and
- SPIAA Refinancing and Hedging Strategy which sets out the refinancing and hedging strategies over the relevant financial period.

Together these policies provide a financial risk management framework which supports the Group's objectives of finding the right balance between risk and reward to enhance profitability and business performance while minimising current and future exposures.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts;
- interest rate swaps; and
- cross-currency swaps.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

It is the Group's policy to ensure, wherever possible, that all hedging activities comply with the hedge accounting requirements of AASB 139 Financial Instruments: Recognition and Measurement. However, there may be instances where it makes commercial and economic sense to enter into derivative transactions that do not achieve hedge accounting. In these instances, under AASB 139 such derivatives must be classified as "held for trading" however this classification is not an indication of an intent to trade in derivative financial instruments.

The material financial risks associated with the Group's activities are each described below, together with details of the Group's policies for managing the risk.

(a) Interest rate risk

The Group is exposed to the risk of movements in interest rates on its borrowings. In addition, the regulated electricity distribution businesses and gas distribution business revenues are impacted directly by changes in the rates of interest relating to each of their respective price review periods. This is a result of the "building block" approach where interest rates are considered in the determination of the regulatory weighted average cost of capital and consequently regulated revenues. The price review period is five years for gas and electricity distribution.

The objective of hedging activities carried out by the Group in relation to these businesses is to minimise the exposure to changes in interest rates by matching the actual cost of debt with the cost of debt assumed by the regulator when setting the rate of return for the relevant business. The exposure is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of interest rate swaps.

3 Financial risk management (continued)

The debt portfolio of the Group consists of both floating rate debt and fixed rate debt. The Group's interest rate hedging policy is linked to debt allocated to the asset classes. Interest rate derivatives are used in order to maintain the percentage of allocated fixed rate debt according to the asset classes (regulated assets, pipelines and asset management), as determined by the Board. Hedging on the regulated assets is set with tenures linked to regulatory reset periods.

As at reporting date, the Group had the following financial assets and liabilities exposed to interest rate risk that are not designated in a cash flow hedging relationship:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**42,203**	81,550	**9,898**	22,097
Related party borrowings	**-**	-	**3,028,375**	2,698,375
	42,203	81,550	**3,038,273**	2,720,472
Financial liabilities				
Borrowings not in a hedging relationship	**1,020,000**	4,195,000	**3,285,000**	5,320,000
	1,020,000	4,195,000	**3,285,000**	5,320,000

Included in borrowings not in a hedging relationship are floating rate bank loans held by the Company, which are partially hedged by interest rate swaps held by the Company and a subsidiary. In addition, $1.3 billion of effective economic interest rate swaps held by a subsidiary were not designated in a cash flow hedging relationship in the period ended 31 March 2008.

The interest bearing related party borrowings of the Company are wholly receivable with entities within the Group and therefore there is no exposure to interest rate risk in respect of these borrowings outside the Group. Borrowings from SPI (Australia) Trust are non-interest bearing and principally relate to the acquisition of the subsidiaries within the Group (refer to Note 25).

The Group utilises interest rate swaps ("IRS") to manage its exposure to interest rate risk (refer note 13). Under interest rate swaps, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held.

Due to the Group's interest rate risk management policies, the exposure at a corporate level to interest rate risk at any point in time is significantly reduced. At 31 March 2009, 71% of the Group's variable interest rate debts are hedged.

As at reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated		Parent	
	Net profit (after tax) $'000	**Equity (hedge reserve) $'000**	**Net profit (after tax) $'000**	**Equity (hedge reserve) $'000**
Judgements of reasonably possible movements				
2009				
2.04 per cent increase*	**(28,672)**	80,180	**(20,782)**	6,795
2.04 per cent decrease*	**28,672**	(87,803)	**20,782**	(7,153)
2008				
0.63 per cent increase*	**(3,087)**	(367)	**(8,324)**	-
0.63 per cent decrease*	**(16,525)**	(18,322)	**8,324**	-

*With all other variables held constant, net of tax

The interest impact on the above sensitivity analysis has increased with the 1.41 per cent widening in the movements in rates from 2008 to 2009 and also an increase in the amount expressed.

3 Financial risk management (continued)

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes having regard to actual historical interest rate data over the previous five years based on the three month bank bill swap rate. Management considers that past movements are a transparent basis for determining reasonably possible movements in interest rates.

(b) Currency risk

The Group's policy is to eliminate all currency risk due to funding activities in offshore debt markets. Legacy foreign currency denominated debt has been fully hedged by the use of cross currency swaps into AUD debt. Other foreign exchange rate exposures arising from commitments in foreign currency purchases are managed within approved policy parameters utilising forward foreign exchange contracts.

The objective of the Group's currency risk management program is to eliminate material foreign exchange risk by utilising various hedging techniques as approved by the Board. The Group therefore considers currency risk exposure to be minimal.

The Group enters into cross-currency swaps to manage exposures from foreign currency loans primarily in US dollars (refer note 13). It is the policy of the Group to cover 100 per cent of the exposure generated by these loans.

Under cross-currency swaps, the Group agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the Group to mitigate the risk of adverse movements in foreign exchange rates.

As at reporting date, the Group had cross currency swaps for its US dollar denominated borrowings. The notional amount outstanding on cross currency swaps was $369.8 million (2008: $699.9 million). The maturity of these swaps matches the maturity of the relevant US dollar denominated borrowings.

The Group also enters into forward foreign exchange contracts to hedge the exchange rate risk in relation to specific purchase orders (refer note 13). It is the policy of the Group to fully hedge currency exposures above a Board approved threshold once the exposure is recognised. The derivative instrument used to hedge the exposure is entered into when there is a high degree of certainty as to the nature of the exposure, including currency, amount and delivery date so as to ensure a high level of effectiveness in cash flow hedging.

As at reporting date the Group had the following financial assets and financial liabilities exposed to currency risk that are not designated in a cash flow hedging relationship:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financial liabilities				
Payables with related parties	**24,300**	12,000	**24,300**	12,000
Borrowings not in a hedging relationship	**-**	583,657	**-**	-
	24,300	595,657	**24,300**	12,000

3 Financial risk management (continued)

Included in borrowings not in a hedging relationship are fixed rate foreign currency debt securities held by a subsidiary, which are fully hedged by effective economic cross currency swaps held by a subsidiary not designated in a cash flow hedging relationship in the period ended 31 March 2008.

As at reporting date, if the Australian Dollar had moved against each of the currencies as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated		Parent	
	Net profit (after tax) $'000	**Equity (hedge reserve) $'000**	**Net profit (after tax) $'000**	**Equity (hedge reserve) $'000**
Judgements of reasonably possible movements				
2009				
United States Dollar				
16 cent increase*	**(117)**	(1,851)	-	-
16 cent decrease*	**188**	3,001	-	-
Singapore Dollar				
2 cent increase*	**278**	-	**278**	-
2 cent decrease*	**(288)**	-	**(288)**	-
2008				
United States Dollar				
10 cent increase*	-	(517)	-	-
10 cent decrease*	-	277	-	-
Singapore Dollar				
10 cent increase*	**488**	-	**488**	-
10 cent decrease*	**(572)**	-	**(572)**	-

*With all other variables held constant

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes having regard to actual historical exchange rate data over the previous five years. Management considers that past movements are a transparent basis for determining reasonably possible movements in exchange rates.

International borrowing exchange risk is managed using cross currency swaps at 100 per cent of borrowings at inception date.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises from the Group's financial assets, comprising cash and cash equivalents, trade and other receivables and derivative financial instruments.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults (refer note 11). The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. The Group therefore considers credit risk exposure to be minimal.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Accounts receivable consist of a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable to ensure exposure to bad debts is minimised.

3 Financial risk management (continued)

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(d) Liquidity risk

The Group targets a minimum net liquidity, defined as available short term funds and committed financing facilities. As at reporting date, the Group had the following committed financing facilities available:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financing facilities (face value)				
Unsecured working capital, reviewed annually:				
- Amount used	**55,000**	-	**55,000**	-
- Amount unused	**95,000**	-	**95,000**	-
Unsecured bank loan facility with various maturity dates and which may be extended by mutual agreement:				
- Amount used	**70,000**	-	**70,000**	-
- Amount unused	**130,000**	-	**130,000**	-
Unsecured syndicated bank loan facility				
- Amount used	**3,400,000**	5,320,000	**3,400,000**	5,320,000
- Amount unused	**-**	155,000	**-**	155,000

The Group manages liquidity risk by maintaining adequate cash reserves, committed banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's liquidity management policies include Board approved guidelines covering the maximum volume of long term debt maturing in any one year, the minimum number of years over which debt maturities are to be spread and the timing of refinancing.

The liquidity management policies ensure that the Group has a well diversified portfolio of debt, in terms of maturity and source, which significantly reduces reliance on any one source of debt in any one particular year. In addition, the investment grade credit rating of the Group ensures ready access to both domestic and offshore capital markets.

Liquidity risk is managed by the Group based on expected net inflows and outflows from financial assets and financial liabilities. The following table summarises the maturities of the Group's financial assets and liabilities based on the remaining earliest contractual maturities at carrying value.

The Group's $3.4 billion syndicated facility agreement and $200 million bilateral facility (of which $70 million was drawn down as at 31 March 2009) are guaranteed by Singapore Power Limited. The guarantor arrangement provides the group with access to a lower cost of debt than it would otherwise receive as a stand alone market participant.

3 Financial risk management (continued)

Group - At 31 March 2009	Carrying Amounts $'000	Undiscounted contractual cash flows Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Financial assets						
Cash and cash equivalents	42,203	42,203	-	-	-	42,203
Receivables	301,427	289,187	-	-	12,240	301,427
Interest rate swaps	864	(881)	1,209	604	-	932
Cross-currency swaps	78,031					
Cross-currency swaps - receive		24,523	24,523	73,570	483,046	605,662
Cross-currency swaps - pay		(26,457)	(26,457)	(79,444)	(450,736)	(583,094)
Forward foreign currency contracts	161	160	-	-	-	160
	422,686	328,735	(725)	(5,270)	44,550	367,290
Financial liabilities						
Variable interest rate loans	3,506,648	252,664	142,309	3,506,330	-	3,901,303
Fixed interest rate loans	682,195	308,805	24,523	73,570	457,828	864,726
Loans from related parties - Trust Loans*	4,500,017	4,500,017	-	-	-	4,500,017
Payables	280,580	280,580	-	-	-	280,580
Interest rate swaps	118,868	93,335	29,470	-	-	122,805
Forward foreign currency contracts	167	155	252	-	-	407
	9,088,475	5,435,556	196,554	3,579,900	457,828	9,669,838
Net maturity		(5,106,821)	(197,279)	(3,585,170)	(413,278)	(9,302,548)

Group - At 31 March 2008	Carrying Amounts $'000	Undiscounted contractual cash flows Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Financial assets						
Cash and cash equivalents	81,550	81,550	-	-	-	81,550
Receivables	296,718	289,918	-	-	6,800	296,718
Interest rate swaps	25,452	5,034	9,001	3,378	-	17,413
Forward foreign currency contracts	83	88	-	-	-	88
	403,803	376,590	9,001	3,378	6,800	395,769
Financial liabilities						
Variable interest rate loans	5,320,000	5,495,622	-	-	-	5,495,622
Fixed interest rate loan	858,657	309,254	293,361	55,082	361,133	1,018,830
Loans from related parties - Trust Loans*	2,106,484	2,106,484	-	-	-	2,106,484
Payables	304,642	304,642	-	-	-	304,642
Interest rate swaps	1,555	5,712	4,394	1,372	-	11,478
Cross-currency swaps	79,407					
Cross-currency swaps - receive		(299,407)	(18,360)	(55,082)	(380,013)	(752,862)
Cross-currency swaps - pay		369,347	26,457	79,444	477,192	952,440
Forward foreign currency contracts	211	217	-	-	-	217
	8,670,956	8,291,871	305,852	80,816	458,312	9,136,851
Net maturity		(7,915,281)	(296,851)	(77,438)	(451,512)	(8,741,082)

3 Financial risk management (continued)

Parent - At 31 March 2009	Carrying Amounts	Undiscounted contractual cash flows				
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	9,898	9,898	-	-	-	9,898
Receivables	5,605,121	94,098	-	-	5,511,023	5,605,121
Interest rate swaps	864	(881)	1,209	604	-	932
	5,615,883	103,115	1,209	604	5,511,023	5,615,951
Financial liabilities						
Variable interest rate loan	3,451,648	197,664	142,309	3,506,330	-	3,846,303
Loans from related parties - Trust Loans*	4,500,017	4,500,017	-	-	-	4,500,017
Payables	66,921	66,921	-	-	-	66,921
	8,018,586	4,764,602	142,309	3,506,330	-	8,413,241
Net maturity		(4,661,487)	(141,100)	(3,505,726)	5,511,023	(2,797,290)

Parent - At 31 March 2008	Carrying Amounts	Undiscounted contractual cash flows				
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	22,097	22,097	-	-	-	22,097
Receivables	5,132,575	94,938	-	-	5,037,637	5,132,575
	5,154,672	117,035	-	-	5,037,637	5,154,672
Financial liabilities						
Variable interest rate loan	5,320,000	5,495,622	-	-	-	5,495,622
Loans from related parties - Trust Loans*	2,106,484	2,106,484	-	-	-	2,106,484
Payables	88,411	88,411	-	-	-	88,411
	7,514,895	7,690,517	-	-	-	7,690,517
Net maturity		(7,573,482)	-	-	5,037,637	(2,535,845)

*The Trust Loans are an interest free subordinated debt issued to the Company by SPI (Australia) Trust. The loan is repayable on demand, but a letter of undertaking has been received by its immediate holding company not to call back the loan if doing so it will cause the Company to be unable to pay its liabilities in the 12 months subsequent to the authorisation date of these financial statements.

3 Financial risk management (continued)

(e) Fair value of financial assets and liabilities

The following table details the fair value of financial assets and financial liabilities:

	Carrying amount		Fair value	
	2009	2008	**2009**	2008
Consolidated	**$'000**	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**42,203**	81,550	**42,203**	81,550
Receivables	**301,427**	296,718	**301,427**	296,718
Interest rate swaps	**864**	25,452	**864**	25,452
Cross currency swaps	**78,031**	-	**78,031**	-
Forward foreign currency contracts	**161**	83	**161**	83
	422,686	403,803	**422,686**	403,803
Financial liabilities				
Payables	**280,580**	304,642	**280,580**	304,642
Debt securities	**682,195**	858,657	**791,998**	909,256
Trust loans	**4,500,017**	2,106,484	**4,500,017**	2,106,484
Variable interest rate loans	**3,506,648**	5,320,000	**3,506,648**	5,320,000
Interest rate swaps	**118,868**	1,555	**118,868**	1,555
Cross currency swaps	**-**	79,407	**-**	79,407
Forward foreign currency contracts	**167**	211	**167**	211
	9,088,475	8,670,956	**9,198,278**	8,721,555

	Carrying amount		Fair value	
	2009	2008	**2009**	2008
Parent	**$'000**	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**9,898**	22,097	**9,898**	22,097
Receivables	**5,605,121**	5,132,575	**5,605,121**	5,132,575
Interest rate swaps	**864**	-	**864**	-
	5,615,883	5,154,672	**5,615,883**	5,154,672
Financial liabilities				
Payables	**66,921**	88,411	**66,921**	88,411
Trust loans	**4,500,017**	2,106,484	**4,500,017**	2,106,484
Variable interest rate loans	**3,506,648**	5,320,000	**3,506,648**	5,320,000
	8,073,586	7,514,895	**8,073,586**	7,514,895

3 Financial risk management (continued)

(f) Capital management

The Group is committed to an optimal capital structure while maintaining financial flexibility and investment grade credit ratings. In order to achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, increase or decrease debt levels.

There were no changes in the Group's approach to capital management during the financial year.

The Company and its subsidiaries are not subject to any externally imposed capital requirement.

The current capital structure of the company is presented below:

Description	Notes	2009 $'000	2008 $'000	
Current Liabilities				
Trust Loans from a related company	25	**4,500,017**	2,106,484	Refer (ii)
Debt Securities - Fixed rate notes	24	**275,000**	-	Refer (iii)
Debt Securities - US$250m senior notes	24	**-**	274,372	Refer (iii)
Working Capital Facilities	23	**55,000**	-	Refer (v)
Bridge Loan Facility	23	**-**	5,320,000	Refer (iv)
Non Current Liabilities				
Syndicated Loan Facility	27	**3,400,000**	-	Refer (iv)
Bilateral Facilities	27	**70,000**	-	Refer (v)
Debt Securities - US$280m Senior notes	27	**407,195**	309,285	Refer (iii)
Debt Securities - Fixed rate notes	27	**-**	275,000	Refer (iii)
Total Borrowings		**8,707,212**	8,285,141	

i) Share capital
The share capital of the company consists of 2 fully paid ordinary shares at $1.

ii)Trust Loans
These loans relate to subordinated debts issued to the Company by SPI (Australia) Trust, a wholly owned entity of Singapore Power International Pte Ltd ("SPI"). These loans are classified as current debt as they are repayable on demand, despite being non-interest bearing and subordinated to existing debt facilities. They are therefore akin to equity provided by SPI to the Company.

The Directors of SPI have confirmed their intention not to call upon the Trust Loans for at least the next 12 months if in doing so will cause the Company to be unable to meet its debts and obligations as and when they fall due.

3 Financial risk management (continued)

iii) Debt securities
Debt securities relate to the following:

(a) Senior notes comprising:

- US$250 million bond issued to mature in April 2008. The bond was issued at a fixed rate of 6.40%. Cross currency swaps were used to convert the US dollar obligations to fixed interest rate Australian dollar obligations. The principal was repaid in April 2008.

- US$150 million bond issued to mature in September 2015. The bond was issued at a fixed rate of 5.30%. Cross currency swaps have been used to convert the US dollar obligations to fixed interest rate Australian dollar obligations.

- US$130 million bond issued to mature in April 2018. The bond was issued at a fixed rate of 6.85%. Cross currency swaps have been used to convert the US dollar obligations to fixed interest rate Australian dollar obligations.

(b) Fixed rate notes comprising $275 million of fixed rate medium term notes to public investors. The maturity date of this program is September 2009 and the interest rate is 6.75%

iv) Bridge loan facility and syndicated loan facility
The bridge loan facility was unsecured and interest as paid on a floating rate basis. The facility was fully repaid on 31 July 2008. For that part of the financial period up until 31 July 2008, the floating rate including margin was in the range of 7.52% - 7.99% (March 2008: 7.00% - 7.99%). Interest rate swaps were used to partially convert the floating interest obligations to fixed interest obligations.

The syndicated loan facility is unsecured and interest is paid on a floating rate basis. Over the year to March 2009 the floating rate including margin was in the range of 4.06% - 8.56%. The total facility amount is $3,400 million comprising a $2,400 million term loan and a $1,000 million revolving loan, both maturing in July 2011. Interest rate swaps are used to partially convert the floating interest obligations to fixed interest obligations.

v) Working capital and bilateral facilities
The working capital facilities are unsecured and interest is paid on a floating rate basis. Over the year to March 2009 the floating rate including margin was in the range of 3.76% - 7.99%. The total facility is $150 million and matures in August 2009. It is the intention of the parties to the loan to extend the maturity for a further year.

The bilateral facilities are unsecured and interest is paid on a floating rate basis. The total facility amount is $200 million, consisting of a $100 million term loan (maturing in October 2011) and a $100 million revolving loan (maturing in October 2013).

(g) Financial Covenants

The terms of certain financing arrangements contain financial covenants that require maintenance of specified interest coverage ratios.

The Group regularly monitors compliance with its financial covenants and reports to its banking syndicate on a bi-annual basis and was in compliance with its financial covenants throughout the period.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Accounting estimates and assumptions where changes in those estimates and assumptions could result in a significant change in the recognised amounts of assets and liabilities are detailed below:

(i) Estimated recoverable amount of intangible assets with an indefinite useful life and associated tangible assets
For the purpose of impairment testing on the cash-generating units ("CGUs") containing goodwill, goodwill is allocated to the Group's operating divisions at the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs were based on the higher of their fair value less costs to sell and their value in use.

The Group reasonably expects to have liabilities under the National Carbon Pollution Reduction Scheme as a result of its ownership of infrastructure assets. Management has not incorporated the potential impact of these liabilities into the 20 year cash flow projections as it is too early, at this stage, to quantify the impacts.

Recoverable amount was determined by discounting future cash flows to be generated from the continuing use of the units and was based on the following key assumptions:

1. Cash flows were projected based on the 5 year business plans. From these business plans, 20 year cash flow models were extrapolated using growth assumptions for revenue, expenditure and capital expenditure. Management believes that this forecast period was justified due to the long term nature of the unit's activities.

2. For regulated assets, the growth assumption is primarily driven by the assumptions in the regulatory building block models with growth being the function of regulated asset base and the allowable return from the regulator. For non-regulated assets, the growth is largely determined by contractual parameters and the projected Australian Consumer Price Index (CPI). Expenditure growth for all assets is largely indexed to the projected Australian CPI. The annual growth rate applied to the units was 2.6%.

3. Cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. Depending on the nature of the assets, the discount rates applied in determining the recoverable amounts of the units range between 8.0% and 9.3% per annum.

(ii) Fair values in business combinations
The Group accounts for business combinations using the purchase method of accounting. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often predicated on estimates and judgements including future cashflows, revenue streams and value in use calculations. The determination of the fair values may remain provisional for up to 12 months from the date of acquisition due to the time necessarily required to obtain independent valuations of individual assets and to complete assessments of provisions.

4 Critical accounting estimates and judgements (continued)

(iii) Income taxes

The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of the tax consolidation regime. These outcomes affect factors such as the quantification and utilisation of tax losses, capital allowance deductions and the taxation treatment of transactions between members of the Group.

The tax expense assumes that the Group can carry forward income tax losses. If there is a change in the majority underlying ownership of the Group as a result of a reduction in Singapore Power Limited's ownership position, this assumption may cease to be applicable.

The Group has taken positions in relation to the income tax and capital gains tax consequences of the acquisition by SPI (Australia) Assets Pty Ltd of the Alinta assets. This involves the exercise of judgements surrounding the calculation of tax bases for the Group assets and liabilities. Furthermore, the potential reversal of temporary differences also requires the use of estimates of future profitability, availability of taxable profits on both revenue and capital accounts and potential future changes in tax bases.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities in the balance sheet. In these circumstances, the carrying amount of deferred tax assets and liabilities may change resulting in an impact on the earnings of the Group or on the fair value of the tax assets acquired.

In addition, deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable profits will be available to utilise those temporary differences.

(iv) Recognition of deferred tax

The Group applies the criteria stated in Australian Accounting Standard AASB 112 Income Taxes ("AASB 112") with regards to the calculation and recognition of deferred tax assets. The application of the AASB 112 criteria involves the exercise of judgement surrounding the calculation of accounting and tax bases for the Group's assets and liabilities.

Furthermore, the potential reversal of temporary differences also requires the use of estimates of future profitability, availability of taxable profits/losses on both revenue and capital account and potential future changes in accounting and tax bases.

In particular, the expectation of the availability of future taxable income against which deferred tax assets arising in respect of revenue losses is subject to estimation and judgement.

(v) Tax consolidation resets

The Group resets tax bases and values for assets and liabilities within tax consolidated groups as and when those tax consolidated groups are formed due to acquisitions or disposals of entities. The calculations are complex in nature. They are performed to attribute values as part of this process and are subject to a degree of estimation, judgement and finalisation.

(vi) Leases

The Group has considered a number of contractual arrangements in applying the accounting policy in note 2(s). The assessment of these contractual arrangements requires a degree of judgement as to whether the significant risks and rewards of ownership of an asset are substantially transferred to other entities. The classification of a contractual arrangement could materially change the balance sheet of the Group.

4 Critical accounting estimates and judgements (continued)

(vii) Derivatives
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the measurement date. The quoted market price used for financial instruments held by the Group is the current bid price.

Derivatives are used only for risk management strategies and are not actively traded.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Appropriate transaction costs are included in the determination of net fair value.

(viii) Accrued revenue
Revenue accrual estimates are made to account for the unbilled period between the end user's last billing date and the end of the accounting period. The accrual relies on detailed analysis of customers' historical consumption patterns, which take into account base usage, sensitivity to prevailing weather conditions and consumption growth. The results of this analysis are applied for the number of days and weather conditions over the unbilled period.

(ix) Useful lives of property, plant and equipment
Depreciation is provided for on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed annually. Assumptions are made regarding the useful lives and residual values based on the regulatory environment and technological developments. These assumptions are subject to risk and there is the possibility that changes in circumstances will alter expectations.

(x) Contract intangibles
As part of ascribing fair values to assets acquired under business combinations, values were attributed to the Group's identifiable contract intangibles. These values were derived from independent valuations and predicated on estimates and judgements including future cash flows, revenue streams and value in use calculations.

(xi) Defined benefits

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions based on the most recent actuarial assessment performed to the period end. The assumptions used in determining the net cost (income) for defined benefit plans include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit obligations.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5 Segment information

(a) Description of segments

Business segments
The Group comprises the following main business segments:

Electricity distribution
The electricity distribution network carries electricity from the high voltage transmission network to end-users.

The Group charges retailers and some large customers regulated rates for the use of the distribution network. The electricity distribution segment does not purchase or sell electricity.

Gas distribution
The gas distribution network carries natural gas to commercial and residential end-users and earns revenues at the regulated rates for the distribution services provided by its network. The Group charges retailers and some large customers regulated rates for the use of the distribution network. The gas distribution segment does not purchase or sell gas.

Gas transmission
The gas transmission network transports gas through gas pipelines.

Asset management services
Asset management services provide maintenance and construction services to the energy distribution, power generation and gas transmission segments, as well as to external customers. The segment also provides financial, information technology and other office support services to the energy distribution, power generation and gas transmission segments.

Energy Investments
The energy investments segment comprises the Group's share of equity accounted investments in energy, water and other investments in energy assets.

Geographical segments
The Group operates in predominantly one geographical segment, which is Australasia.

5 Segment information (continued)

(b) Primary reporting format - business segments

2009	Electricity distribution $'000	Gas distribution $'000	Gas transmission $'000	Asset Management $'000	Energy Investment $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Segment revenue							
Sales to external customers	229,757	372,079	133,858	546,698	-	-	1,282,392
Intersegment sales (note (ii))	-	-	-	531,568	-	(531,568)	-
Total sales revenue	229,757	372,079	133,858	1,078,266	-	(531,568)	1,282,392
Other revenue	2,133	1,217	-	54	-	16,436	19,840
Total segment revenue	**231,890**	**373,296**	**133,858**	**1,078,320**	**-**	**(515,132)**	**1,302,232**
Segment result	**104,073**	**181,364**	**92,777**	**81,743**	**51,446**	**(437,181)**	**74,222**
Profit before income tax							**74,222**
Income tax expense							(27,423)
Profit for the year							**46,799**
Segment assets and liabilities							
Segment assets	904,188	2,980,168	1,796,672	544,350	867,789	(517,481)	**6,575,686**
Segment goodwill	212,239	363,912	782,750	1,118,896	129,859	-	**2,607,650**
Segment liabilities	410,607	618,981	1,035,148	932,054	-	6,364,010	**9,360,800**
Other segment information							
Investments in associate and joint venture partnership	-	-	-	-	867,789	-	867,789
Share of net profits of associate and joint venture partnership	-	-	-	-	51,446	-	51,446
Acquisitions of property, plant and equipment and intangibles	(97,604)	(94,923)	(48,194)	(18,226)	-	(149,187)	(408,134)
Depreciation and amortisation expense	(17,898)	(49,349)	(18,855)	(14,021)	-	(70,876)	(170,999)
Net finance costs	-	-	563	(12,740)	-	(325,755)	(337,932)

5 Segment information (continued)

2008	Electricity distribution $'000	Gas distribution $'000	Gas transmission $'000	Asset Management $'000	Energy Investment $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Segment revenue							
Sales to external customers	127,866	180,733	60,858	249,857	-	-	619,314
Intersegment sales (note (ii))	-	-	-	215,370	-	(215,370)	-
Total sales revenue	127,866	180,733	60,858	465,227	-	(215,370)	619,314
Other revenue	1,617	434	-	203	-	9,554	11,808
Total segment revenue	**129,483**	**181,167**	**60,858**	**465,430**	**-**	**(205,816)**	**631,122**
Segment result	**59,293**	**73,749**	**33,347**	**46,800**	**23,729**	**(279,331)**	**(42,413)**
Loss before income tax							**(42,413)**
Income tax benefit							11,466
Loss for the period							**(30,947)**
Segment assets and liabilities							
Segment assets	872,808	2,941,208	1,872,773	337,456	989,374	(646,818)	**6,366,801**
Segment goodwill	48,116	141,394	1,007,118	1,343,946	49,397	-	**2,589,971**
Segment liabilities	458,392	719,782	1,020,557	630,824	-	6,182,103	**9,011,658**
Other segment information							
Investments in associate and joint venture partnership	-	-	-	-	989,374	-	989,374
Share of net profits of associate and joint venture partnership	-	-	-	-	23,729	-	23,729
Acquisitions of property, plant and equipment and intangibles	(39,789)	(64,364)	(18,175)	(2,028)	-	(3,125)	(127,481)
Depreciation and amortisation expense	(10,525)	(27,501)	(12,375)	(5,171)	-	(30,957)	(86,529)
Net finance costs	-	-	(710)	5,922	-	(229,416)	(224,204)

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in note 2 and Accounting Standard AASB 114 *Segment Reporting.*

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and deferred income.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

6 Revenue

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
From continuing operations				
Services	**1,254,625**	607,793	**-**	-
Services from related parties	**14,832**	2,718	**-**	-
Customer contributions	**12,935**	8,803	**-**	-
	1,282,392	619,314	**-**	-

Services revenue includes revenue earned from the distribution and transmission of gas, distribution of electricity and rendering of asset management services.

7 Other income

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Net gain on sale of investments	**53**	245	**-**	-
Other income	**3,351**	2,078	**-**	23,000
Other income from related parties	**16,436**	9,485	**23,236**	23,425
	19,840	11,808	**23,236**	46,425

8 Expenses

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Other expenses include:				
Foreign exchange losses	**(1,576)**	(10)	**(1,891)**	-
Net loss on disposal of property, plant and equipment	**(4,844)**	(1,082)	**-**	-
	(6,420)	(1,092)	**(1,891)**	-
Finance costs				
Interest and finance charges paid/payable on borrowings	**(341,278)**	(287,896)	**(292,347)**	(248,422)
Interest expense to related parties	**(61)**	-	**(61)**	-
Change in fair value of financial assets/liabilities designated at fair value through profit or loss	**(3,755)**	-	**-**	-
Capitalised finance charges	**4,920**	1,232	**-**	-
Unwind of discount on make good provisions	**(1,598)**	-	**-**	-
Finance income:				
Interest income	**7,957**	15,728	**2,036**	2,311
Interest income from related parties	**1,429**	-	**209,057**	111,018
Change in fair value of financial assets/liabilities designated at fair value through profit or loss	**5,381**	-	**-**	-
Effective economic hedge instruments:				
Change in fair value of effective economic hedge instruments that did not qualify for hedge accounting	**-**	46,732	**-**	-
Unwind of effective economic hedge instruments that did not qualify for hedge accounting	**(10,927)**	-	**-**	-
	(337,932)	(224,204)	**(81,315)**	(135,093)

9 Income tax

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
(a) Income tax				
Current tax	**19,343**	57,310	**20,527**	35,038
Deferred tax	**(46,766)**	(45,844)	**18,412**	-
	(27,423)	11,466	**38,939**	35,038

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Profit/(loss) from continuing operations before income tax expense/(benefit)	**74,222**	(42,413)	**(65,997)**	(93,791)
Tax at the Australian tax rate of 30% (2008 - 30%)	**(22,267)**	12,724	**19,799**	28,138
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non assessable income	**2,269**	543	**-**	-
Non deductible expenses	**(7,425)**	(1,801)	**-**	-
Non assessable capital gain	**-**	-	**-**	6,900
Tax base uplift	**-**	-	**19,140**	-
	(27,423)	11,466	**38,939**	35,038

(c) Amounts recognised directly in equity

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity.				
Defined benefit plans	**(19,884)**	(10,948)	**-**	-
Financial instruments	**(38,765)**	(1,386)	**259**	-
	(58,649)	(12,334)	**259**	-

10 Current assets - Cash and cash equivalents

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash at bank	**42,203**	81,550	**9,898**	22,097
	42,203	81,550	**9,898**	22,097

11 Current assets - Receivables

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Trade receivables	**112,519**	77,478	**-**	-
Less: provision for doubtful debts	**(6,489)**	(1,961)	**-**	-
	106,030	75,517	**-**	-
Other receivables from related parties	**13,529**	657	**84,793**	52,776
Other receivables	**43,762**	77,149	**5,106**	34,859
Accrued revenue	**125,866**	136,595	**4,199**	7,303
	289,187	289,918	**94,098**	94,938

Terms and conditions

The average credit period varies depending on the nature of the accounts receivable balance:

- related parties range between 7 to 14 days;

- retailers are 10 business days; and

- external customers range between 20 to 30 days.

All accounts receivable are non-interest bearing.

Debts that are past 91 days are provided for based on past experience. Specific provisioning is assessed on a monthly basis.

The ageing of these receivables is as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Gross:				
Not past due	**43,074**	45,038	**-**	-
Past due 0 - 30 days	**17,230**	21,990	**-**	-
Past due 31 - 60 days	**6,834**	1,817	**-**	-
Past due 61 - 90 days	**5,353**	487	**-**	-
Past due 91 - 180 days	**24,443**	1,087	**-**	-
More than 180 days	**15,585**	7,059	**-**	-
	112,519	77,478	**-**	-

The majority of debts that are past due relate to regulated counterparties in the energy industry, from distribution to retailing.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Allowance:				
Past due 0 - 30 days	**(232)**	-	**-**	-
Past due 61 - 90 days	**(14)**	-	**-**	-
Past due 91 - 180 days	**(526)**	(166)	**-**	-
More than 180 days	**(5,717)**	(1,795)	**-**	-
	(6,489)	(1,961)	**-**	-

11 Current assets - Receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
At beginning	**(1,961)**	-	-	-
Subsidiaries acquired	-	(2,586)	-	-
Additional allowance recognised	**(4,903)**	(165)	-	-
Amounts utilised	**375**	790	-	-
At end	**(6,489)**	(1,961)	-	-

12 Current assets - Inventories

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Construction, maintenance stocks and general purpose materials	**26,254**	16,387	-	-
	26,254	16,387	-	-

13 Derivative financial instruments

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Current assets				
Forward foreign exchange contracts	**161**	83	-	-
Non-current assets				
Interest rate swap contracts - cash flow hedges	**864**	25,452	**864**	-
Cross currency swap contracts - cash flow hedges	**78,031**	-	-	-
Total derivative financial instrument assets	**79,056**	25,535	**864**	-
Current liabilities				
Cross currency swap contracts - cash flow hedges	-	57,417	-	-
Forward foreign currency contracts	**167**	211	-	-
Non-current liabilities				
Cross currency swap contracts - cash flow hedges	-	23,545	-	-
Interest rate swap contracts - cash flow hedges	**118,868**	-	-	-
Total derivative financial instrument liabilities	**119,035**	81,173	-	-

(a) Financial risk management objectives

Details of the Group's financial risk management objectives and policies are disclosed in note 3 of the financial statements.

13 Derivative financial instruments (continued)

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Interest rate risk management

The following table summarises the designations of interest rate swaps used to manage interest rate exposure:

	Cash flow hedges $'000	Derivatives not in a hedging relationship $'000	Total $'000
2009 - Consolidated			
Interest rate swaps			
Financial assets	864	-	**864**
Financial liabilities	118,868	-	**118,868**
2009 - Parent			
Interest rate swaps			
Financial assets	864	-	**864**
2008 - Consolidated			
Interest rate swaps			
Financial assets	-	25,452	**25,452**
Financial liabilities	1,555	-	**1,555**

The parent entity did not utilise interest rate swaps in 2008.

Unrealised losses after tax in respect of interest rate swaps of $82,602,970 (2008 : $16,728,089 gain) have arisen since the inception of these swaps. Of this amount, $99,331,059 has arisen since their designation as hedges and has been deferred in the hedging reserve (refer Note 33(a)) to the extent the hedge is effective and will be released when the underlying transaction impacts profit or loss.

(d) Foreign currency risk management

The following table summarises the designations of foreign exchange contracts used to manage foreign currency exposure:

	Weighted average exchange rate	Foreign currency contract value FC $'000	Carrying amount $'000	Less than 1 year $'000	1 - 5 years $'000	More than 5 years $'000
2009 - Consolidated only						
Forward foreign currency contracts						
Buy USD (United States Dollar)	**0.6757**	9,606	7	11	(252)	-
Buy GBP (British Pound)	**0.4582**	130	(13)	(6)	-	-
2008 - Consolidated only						
Forward foreign currency contracts						
Buy USD (United States Dollar)	**0.8618**	3,058	(211)	(217)	-	-
Buy EUR (European Euro)	**0.6052**	1,298	83	88	-	-

13 Derivative financial instruments (continued)

The following table summarises the designations of the hedging instruments used to manage currency risk:

	Cash flow hedges $'000	Derivatives not in a hedging relationship $'000	Total $'000
2009 - Consolidated only			
Forward foreign currency contracts			
Financial assets	**161**	**-**	161
Financial liabilities	**167**	**-**	167
Cross currency swaps			
Financial assets	**78,031**	**-**	78,031
2008 - Consolidated only			
Forward foreign currency contracts			
Financial assets	**83**	**-**	83
Financial liabilities	**211**	**-**	211
Cross currency swaps			
Financial liabilities	**-**	**79,407**	79,407

The parent entity does not utilise forward foreign currency contracts or cross-currency swaps.

As at reporting date unrealised losses after tax in respect of forward foreign exchange contracts of $4,483 (2008: $89,308 loss) have been deferred in the hedging reserve to the extent the hedge is effective and will be released when the underlying transaction impacts profit or loss.

Unrealised gains after tax in respect of cross currency swaps of $70,013,989 (2008 : $55,584,908 loss) have arisen since the inception of these swaps and recognised in the hedging reserve (refer Note 33(a)) to the extent the hedge is effective. Of this amount $68,866,893 has been transferred to the income statement and relates to the spot foreign exchange component of the contract. This gain directly offsets the foreign exchange loss recognised on the underlying hedged USD bond liability. The remaining portion, $1,147,096 continues to be deferred in the hedging reserve and will be released when the underlying transaction impacts profit or loss.

14 Current assets - Current tax receivables

	Consolidated		Parent	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Tax refunds receivable	**58,376**	77,748	**65,128**	90,681
	58,376	77,748	**65,128**	90,681

15 Current assets - Other current assets

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Prepayments	**10,295**	6,353	**-**	-
	10,295	6,353	**-**	-

16 Non-current assets - Receivables

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Loan to subsidiaries	**-**	-	**5,505,583**	5,037,637
Loan to associates	**12,240**	6,800	**5,440**	-
	12,240	6,800	**5,511,023**	5,037,637

17 Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Shares in associates (note 39)	**218,539**	248,690	**271,030**	265,760
Interest in joint venture partnership (note 40)	**649,250**	740,684	**-**	-
	867,789	989,374	**271,030**	265,760

18 Non-current assets - Other financial assets

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Investment in subsidiaries (note 38)	**-**	-	**2,515,998**	2,417,451
	-	-	**2,515,998**	2,417,451

19 Non-current assets - Property, plant and equipment

Consolidated	Freehold land $'000	Easements $'000	Freehold buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Motor vehicles and other property, plant and equipment $'000	Construction in progress $'000	Total $'000
Period ended 31 March 2008								
Acquisition of subsidiaries	17,114	10,007	10,898	2,820	3,869,457	655,118	22,056	4,587,470
Additions	-	-	940	5,055	73,743	1,806	38,514	120,058
Disposals	-	-	(119)	(496)	(2,478)	(3,900)	(3,715)	(10,708)
Transfers	-	-	65	186	932	710	(1,893)	-
Depreciation charge	-	(174)	(178)	(323)	(49,012)	(14,681)	-	(64,368)
Closing net book amount	17,114	9,833	11,606	7,242	3,892,642	639,053	54,962	4,632,452
At 31 March 2008								
Cost	17,114	10,007	11,784	7,565	3,941,654	653,734	54,962	4,696,820
Accumulated depreciation	-	(174)	(178)	(323)	(49,012)	(14,681)	-	(64,368)
Net book amount	17,114	9,833	11,606	7,242	3,892,642	639,053	54,962	4,632,452

19 Non-current assets - Property, plant and equipment (continued)

Consolidated	Freehold land $'000	Easements $'000	Freehold buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Motor vehicles and other property, plant and equipment $'000	Construction in progress $'000	Total $'000
Period ended 31 March 2009								
Opening net book amount	17,114	9,833	11,606	7,242	3,892,642	639,053	54,962	4,632,452
Fair value adjustment for prior year	-	-	-	3,552	569,436	(559,940)	4,577	17,625
Acquisition of subsidiaries	-	-	-	-	12,356	4,627	-	16,983
Additions	-	236	4,507	7,037	127,142	29,445	181,428	349,795
Reclassification	-	-	252	-	31,954	-	(32,206)	-
Transfers to intangible assets	-	-	-	-	(50)	(37,369)	(422)	(37,841)
Depreciation charge	-	(298)	(488)	(4,760)	(83,606)	(33,060)	-	(122,212)
Disposals	-	-	(261)	(639)	(2,984)	(6,685)	(2,258)	(12,827)
Closing net book amount	17,114	9,771	15,616	12,432	4,546,890	36,071	206,081	4,843,975
At 31 March 2009								
Cost	17,114	10,242	16,129	14,749	4,676,125	79,507	206,081	5,019,947
Accumulated depreciation	-	(471)	(513)	(2,317)	(129,235)	(43,436)	-	(175,972)
Net book amount	17,114	9,771	15,616	12,432	4,546,890	36,071	206,081	4,843,975

20 Non-current assets - Intangible assets

Consolidated	Goodwill $'000	Contract intangibles $'000	Transmission and distribution licences $'000	Software licences $'000	Asset under construction $'000	Total $'000
Period ended 31 March 2008						
Acquisition of subsidiaries	2,589,971	200,443	40,234	16,125	191	2,846,964
Additions	-	-	-	6,755	668	7,423
Disposals	-	-	-	(16)	-	(16)
Amortisation charge	-	(16,252)	-	(5,909)	-	(22,161)
Closing net book amount	2,589,971	184,191	40,234	16,955	859	2,832,210
At 31 March 2008						
Cost	2,589,971	200,443	40,234	22,864	859	2,854,371
Accumulated amortisation	-	(16,252)	-	(5,909)	-	(22,161)
Net book amount	2,589,971	184,191	40,234	16,955	859	2,832,210

20 Non-current assets - Intangible assets (continued)

Consolidated	Goodwill $'000	Contract intangibles $'000	Transmission and distribution licences $'000	Software licences $'000	Asset under construction $'000	Total $'000
Period ended 31 March 2009						
Opening net book amount	2,589,971	184,191	40,234	16,955	859	2,832,210
Fair value adjustment for prior year	(39,692)	45,730	(29,718)	-	-	(23,680)
Additions	-	-	-	47,477	10,862	58,339
Acquisition of subsidiaries	57,377	-	-	-	-	57,377
Reclassification	-	(10,162)	-	-	10,162	-
Transfers to property, plant and equipment	-	-	-	472	37,369	37,841
Amortisation charge	-	(29,565)	-	(19,222)	-	(48,787)
Closing net book amount	2,607,656	190,194	10,516	45,682	59,252	2,913,300
At 31 March 2009						
Cost	2,607,656	235,341	10,516	70,812	59,252	2,983,577
Accumulated amortisation	-	(45,147)	-	(25,130)	-	(70,277)
Net book amount	2,607,656	190,194	10,516	45,682	59,252	2,913,300

20 Non-current assets - Intangible assets (continued)

Carrying amount of indefinite life intangible assets

The distribution licences are considered to have an indefinite life for the following reasons:

- the licences have been issued in perpetuity provided the licensee achieves certain regulatory licence requirements;
- the Group monitors its performance against those licence requirements and ensures that they are met; and
- the Group intends to continue to maintain the networks for the foreseeable future.

The carrying amount of intangible assets with indefinite lives is presented below:

	2009 $'000	2008 $'000
Jemena Electricity Network	**10,516**	10,516
	10,516	10,516

21 Current liabilities - Payables

	Consolidated		**Parent**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Trade payables	**6,927**	20,059	**-**	-
Accrued expenses	**128,512**	144,425	**2,355**	-
Interest payable	**14,009**	70,156	**4,133**	50,974
Other payables	**81,523**	57,339	**1,819**	2,073
Other payables to related parties	**49,609**	12,663	**58,614**	35,364
	280,580	304,642	**66,921**	88,411

22 Current liabilities - Provisions

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Employee benefits	**57,422**	35,083	**-**	-
Environmental (refer to note 29)	**380**	636	**-**	-
Acquisition costs (refer to note 29)	**2,545**	23,379	**37,145**	57,979
Earnout agreement(refer to note 29)	**8,870**	-	**-**	-
Stamp duty (refer to note 29)	**1,062**	-	**1,062**	-
Other (refer to note 29)	**18,520**	155,889	**5,917**	-
	88,799	214,987	**44,124**	57,979

23 Current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Bank/Working Capital Facility	**55,000**	5,320,000	**55,000**	5,320,000
	55,000	5,320,000	**55,000**	5,320,000

For more information about the Group's exposure to interest rate and foreign currency risk, see note 3. Details of financing facilities utilised/unutilised are also contained in note 3.

24 Current liabilities - Interest bearing debt securities

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Debt Security - Fixed Rate Notes	**275,000**	-	**-**	-
Debt Security - Senior Notes	**-**	274,372	**-**	-
	275,000	274,372	**-**	-

For more information about the Group's exposure to interest rate and foreign currency risk, see note 3. Details of financing facilities utilised/unutilised are also contained in note 3.

25 Current liabilities - Trust loans

	Consolidated		Parent	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Loans from SPI (Australia) Trust	**4,500,017**	2,106,484	**4,500,017**	2,106,484
	4,500,017	2,106,484	**4,500,017**	2,106,484

For more information about the Group's exposure to interest rate and foreign currency risk, see note 3. Details of financing facilities utilised/unutilised are also contained in note 3.

26 Current liabilities - Other current liabilities

	Consolidated		Parent	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Deferred income	**7,395**	2,521	**-**	-
Advance receipts	**1,359**	4,321	**-**	-
	8,754	6,842	**-**	-

27 Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Unsecured				
Bank loans	**3,470,000**	-	**3,470,000**	-
Less: debt issuance costs	**(18,352)**	-	**(18,352)**	-
Debt securities	**407,195**	584,285	**-**	-
	3,858,843	584,285	**3,451,648**	-

For more information about the Group's exposure to interest rate and foreign currency risk, see note 3. Details of financing facilities utilised/unutilised are also contained in note 3.

28 Deferred tax

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**(103,121)**	55,754	**-**	-
Other financial assets	**22,375**	(21,267)	**(259)**	-
Intangible assets	**(16,240)**	(135,700)	**-**	-
Investment in associates	**(18,620)**	(22,522)	**19,140**	-
Tax losses	**99,115**	70,243	**99,115**	70,243
Project costs	**3,513**	20,137	**-**	-
Employee provisions	**18,835**	17,130	**-**	-
Unbilled income	**-**	(15,071)	**-**	-
Other items	**34,810**	25,368	**(728)**	-
Total deferred tax assets/(liabilities)	**40,667**	(5,928)	**117,268**	70,243

Movements:				
Balance at beginning	**(5,928)**	-	**70,243**	-
(Charged)/credited to the income statement	**(46,766)**	(45,844)	**18,412**	-
(Charged)/credited to equity	**58,649**	12,334	**(259)**	-
Acquisition of subsidiaries	**5,840**	(42,661)	**-**	-
Current period tax losses	**28,872**	70,243	**28,872**	70,243
Balance at end	**40,667**	(5,928)	**117,268**	70,243

29 Non-current liabilities - Provisions

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Employee benefits	**18,358**	18,740	**-**	-
Decommissioning	**6,530**	6,161	**-**	-
Environmental	**16,669**	16,669	**-**	-
Stamp duty	**53,655**	66,820	**29,800**	-
Earnout agreement	**7,721**	-	**-**	-
Other	**5,774**	1,489	**-**	-
	108,707	109,879	**29,800**	-

29 Non-current liabilities - Provisions (continued)

(a) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

	Decommissioning $'000	Environmental $'000	Acquisition costs $'000	Earnout agreement $'000	Stamp duty $'000	Other $'000	Total $'000
Consolidated - 2009							
Current and non-current							
Carrying amount at beginning	6,161	17,305	23,379	-	66,820	157,378	271,043
Additional provisions recognised	369	-	-	16,591	-	21,478	38,438
Unused amounts reversed	-	-	-	-	-	(21,872)	(21,872)
Utilised during the period	-	(256)	(20,834)	-	(12,103)	(132,690)	(165,883)
Carrying amount at end	6,530	17,049	2,545	16,591	54,717	24,294	121,726

	Stamp Duty $'000	Acquisition costs $'000	Other $'000	Total $'000
Parent - 2009				
Current and non-current				
Carrying amount at beginning	-	57,979	-	57,979
Additional provisions recognised	42,965	-	5,917	48,882
Utilised during the period	(12,103)	(20,834)	-	(32,937)
Carrying amount at end	30,862	37,145	5,917	73,924

29 Non-current liabilities - Provisions (continued)

Decommissioning
A provision for decommissioning is recognised when the entity has a legal or constructive obligation as a result of a past event. The further expected decommissioning cost is discounted using a pre-tax rate which is the basis of the provision recognised. The unwinding of the discount increases the net present value of the expected liability over time, which is recognised as an interest expense in the income statement.

Environmental
A provision for environmental costs is made for the rehabilitation of sites based on the estimated costs of the rehabilitation. The liability includes the costs of reclamation, plant closure and dismantling, and waste site closure. The liability is determined based on the present value of the obligation as appropriate. Annual adjustments to the liability are charged to the income statement over the estimated life of the sites. The costs are estimated based on the assumption of the current legal requirements and technologies. Any changes in estimates are dealt with on a prospective basis.

Acquisition costs
The provision for acquisition costs includes legal fees, consultancy fees, audit fees and other fees paid to external parties for work completed on the process of acquiring the Alinta group.

Earnout agreements
The provision includes probable cash consideration payable to the vendors of the assets and business acquired by CLM Infrastructure Ltd and to the vendors of the shares and businesses in Outback Power Pty Ltd and Cape Cable Layers Pty Ltd acquired by Jemena Asset Management Pty Ltd. The provisions are payable in the event that the relevant businesses achieve certain performance criteria during the periods 1 August 2008 to 31 March 2010, 1 August 2008 to 31 March 2011 and 1 November 2008 to 31 March 2011 respectively, as specified in an "earnout" clause in the sale agreements.

Stamp duty
Stamp duty provisions relate to the acquisition of the ex-Alinta assets and prior acquisitions.

Other
Other provisions relate to the general operations of the business including contract settlements, claims, land tax and defects liability.

30 Non-current liabilities - Other non-current liabilities

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Loans from related parties	-	-	**523,003**	484,686
Other	3,179	405	-	-
	3,179	405	523,003	484,686

31 Non-current liabilities - Retirement benefit obligations

(a) Superannuation plan

The Group makes contributions to one Equipsuper defined benefit superannuation plan and one Russell SuperSolution Master Trust defined benefit superannuation plan. The plans provide defined benefit amounts to employees or their dependants upon retirement, death, disablement or withdrawal. Benefits are mostly in the form of a lump sum payment based on the employee's final average salary although some defined benefit members are also eligible for pension benefits. The terms and conditions of the two plans are consistent.

The defined benefit sections of the plans are closed to new members. All new members receive defined contribution, accumulation style benefits.

Actuarial valuations of the funds as at 31 March 2009 and 31 March 2008 were performed by Mercer Investment Nominees Limited (Equipsuper) and Russell Investment Group (Russell SuperSolution Master Trust).

The Group has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements at 31 March 2009.

The net position of the funds are set out below:

(b) Balance sheet amounts

Total amounts included in the balance sheets arising from the Group's obligations in respect of its defined benefit plans are as follows:

	Combined	
	2009 $'000	2008 $'000
Present value of funded defined benefit obligations	**200,278**	180,753
Fair value of plan assets	**(137,392)**	(176,537)
Net liability in the balance sheet	**62,886**	4,216

The Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions. The Group intends to continue to contribute to the defined benefit section of the plan at the rates specified in the actuary's latest recommendations.

(c) Categories of plan assets

The analysis of the plans' assets by category is as follows:

	Combined	
	2009 %	2008 %
Australian equities	**32.8**	36.1
International equities	**26.5**	25.1
Fixed income	**13.3**	15.9
Property	**9.9**	11.5
Cash	**5.3**	5.5
International bonds	**4.1**	4.5
Alternative strategies	**8.1**	1.4
	100	100

31 Non-current liabilities - Retirement benefit obligations (continued)

(d) Reconciliations

	Combined 2009 $'000	2008 $'000
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	**180,753**	193,243
Current service cost	**6,185**	3,973
Interest cost	**9,165**	4,894
Contributions by plan participants	**3,463**	5,071
Actuarial (gains)/losses	**16,594**	101
Taxes and premiums paid	**(519)**	(347)
Benefits paid	**(18,760)**	(14,629)
Transfers in	**3,397**	-
Curtailments	**-**	(11,553)
Closing defined benefit obligation	**200,278**	180,753
Movements in the fair value of plan assets in the current period were as follows:		
Opening fair value of plan assets	**(176,537)**	(220,096)
Expected return on plan assets net of investment and administration expenses	**(12,584)**	(7,508)
Actuarial gains/(losses)	**50,897**	35,352
Taxes and premiums paid	**519**	347
Contributions from the employer	**(4,105)**	(2,475)
Contributions by plan participants	**(3,463)**	(5,071)
Benefits paid	**18,760**	14,629
Acquired in business combinations	**(3,397)**	-
Curtailments	**-**	11,553
Adjustment to valuation estimate in prior periods	**(7,482)**	(3,268)
Closing fair value of plan assets	**(137,392)**	(176,537)

The actual return on plan assets was a loss of $30.83 million (2008: loss of $19.97 million)

(e) Amounts recognised in income statement

The amounts recognised in the income statement in respect of these defined benefit plans are as follows:

	2009	2008
Current service cost	**6,185**	3,973
Interest cost	**9,165**	4,894
Expected return on plan assets	**(12,584)**	(7,508)
Total included in employee benefits expense	**2,766**	1,359

The amounts recognised in the statements of recognised income and expense are as follows:

	2009	2008
Actuarial losses recognised in the period in the statement of recognised income and expense	**(67,491)**	(35,453)
Cumulative actuarial losses recognised in the statement of recognised income and expense	**(102,944)**	(35,453)

31 Non-current liabilities - Retirement benefit obligations (continued)

(f) Principal actuarial assumptions

The principal actuarial assumptions are set out below:

	Russell		Equipsuper	
	2009 %	2008 %	**2009** %	2008 %
Discount rate (active members)	**4.3**	6.1	**5.0**	5.0
Discount rate (pensioners)	**N/A**	N/A	**5.9**	5.7
Expected return on plan assets (active members)	**6.5**	7.5	**7.0**	7.0
Expected return on plan assets (pensioners)	**N/A**	N/A	**7.5**	7.5
Expected long term salary increase rate	**4.5**	4.0	**4.5**	4.5
Expected pension increase rate	**N/A**	N/A	**3.0**	3.0

(g) Employer contributions

Employer contributions to the defined benefit plans are based on recommendations by the plans' actuary. The Target Funding method is used to determine the contribution rates. Under this method, the employer contribution rate is set at a level such that the plans' assets are expected to equal 105 per cent of the plans' liabilities within five years.

Total employer contributions expected to be paid by the Group for the year ending 31 March 2010 are $8.87 million (parent entity - $Nil).

(h) Historic summary

	2009 **$'000**	2008 $'000	2007 (i) $'000
Present value of defined benefit plan obligation	**(200,278)**	(180,753)	(193,243)
Fair value of plan assets	**137,392**	176,537	220,096
Surplus / (deficit)	**(62,886)**	(4,216)	26,853
Experience adjustments gains/(losses) arising on plan assets	**(43,415)**	(32,084)	6,984
Experience adjustments gains/(losses) arising on plan liabilities	**7,006**	(236)	(482)

(i) Actuarial reports were prepared for the 8 months ended 31 August 2007

32 Contributed equity

	Consolidated		Parent	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Share capital				
Ordinary shares				
Fully paid (2 shares at $1)	**-**	-	**-**	-
	-	-	**-**	-

33 Reserves and retained profits

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Hedging reserve - cash flow hedges	**(123,688)**	(1,178)	**605**	-
Foreign currency translation reserve	**2,439**	2,056	**-**	-
	(121,249)	878	**605**	-

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Movements:				
Hedging reserve - cash flow hedges				
Balance at beginning	**(1,178)**	-	**-**	-
Revaluation	**(98,099)**	(3,234)	**605**	-
Loss taken to income statement (hedge accounting)	**7,650**	-	**-**	-
Share of associates	**(32,061)**	2,056	**-**	-
Balance at end	**(123,688)**	(1,178)	**605**	-

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Movements:				
Foreign currency translation reserve				
Balance at beginning	**2,056**	-	**-**	-
Currency translation differences arising during the period	**383**	2,056		
Balance at end	**2,439**	2,056	**-**	-

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to highly probable forecast transactions. The future periods in which the cash flows associated with derivatives in the cash flow hedge reserve are expected to impact profit and loss are the same as when the associated cash flows are expected to occur.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

33 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Balance at beginning	**(55,764)**	-	**(58,753)**	-
Net profit/(loss) for the period	**46,799**	(30,947)	**(27,058)**	(58,753)
Actuarial gains/(losses) on defined benefit plans recognised directly in retained earnings	**(47,244)**	(24,817)	**-**	-
Balance at end	**(56,209)**	(55,764)	**(85,811)**	(58,753)

34 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity and its subsidiaries:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$	$	**$**	$
(a) Audit services				
Audit and review of financial reports	**1,350,000**	1,622,000	**-**	-
Other audit services	**434,000**	316,000	**-**	-
	1,784,000	1,938,000	**-**	-
(b) Non-audit services				
Other advisory	**74,000**	-	**-**	-
	74,000	-	**-**	-

It is the Group's policy to employ KPMG to perform the audit of regulatory returns as these returns represent an extension of the information obtained from the statutory audit. Using the same firm for both contributes to the efficiency of the audit process.

35 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Payable:				
Within one year	**92,348**	3,362	-	-
Later than one year but not later than five years	**71,004**	-	-	-
	163,352	3,362	-	-

(b) Lease commitments

(i) Cancellable operating leases
The Group leases various plant and machinery under cancellable operating leases. The Group is required to give six months notice for termination of these leases.

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**15,129**	10,080	-	-
Later than one year but not later than five years	**51,323**	44,975	-	-
Later than five years	**27,135**	32,898	-	-
	93,587	87,953	-	-

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
(ii) Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	**688**	-	-	-
Later than one year but not later than five years	**3,098**	-	-	-
	3,786	-	-	-
Future finance charges				
Within one year	**(190)**	-	-	-
Later than one year but not later than five years	**(409)**	-	-	-
Representing lease liabilities:				
Current	**498**	-	-	-
Non-current	**2,689**	-	-	-
	3,187	-	-	-

36 Related party transactions

(a) Parent entities

The Company is the ultimate Australian parent entity of the Group. The immediate parent of the Company is Singapore Power International Pte Ltd, a company incorporated in Singapore, a wholly-owned subsidiary of Singapore Power Limited. Singapore Power International Pte Ltd owns 100 per cent of the issued shares in the Company.

The ultimate parent is Temasek Holdings (Private) Limited, a company incorporated in Singapore. Temasek Holdings (Private) Limited's sole shareholder is the Minister of Finance (Incorporated), a body corporate under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore.

(b) Related entities

The Company has agreed to pay Singapore Power Limited a management fee comprising of management services provided. The management service charge is based on agreed arms-length rates.

During the period, the Group entered into an agreement with Enterprise Business Services (Australia) Pty Ltd ("EBS"), an entity within the Singapore Power International Pte Ltd group, for EBS to be the exclusive provider of information technology services to the Group. The services provided by EBS include end user computing services, application management services, managed services and project and advisory services.

The Company uses the transmission networks of SP Australia Networks (Transmission) Ltd for the transmission of electricity to the distribution network of Jemena Electricity Networks (Vic) Ltd. The Company also engages and receives construction work on network assets with SP Ausnet.

(c) Subsidiaries

Interests in subsidiaries are set out in note 38.

(d) Key management personnel

Key management personnel compensation for the Group is set out below. The key management personnel of the Group comprises the directors and those executives that report directly to the managing director.

No key management personnel compensation was paid by the Company.

	Short-term benefits $	Post-employment benefits $	Termination benefits $	Total $
2009 (1 April 2008 to 31 March 2009)	**5,271,980**	**344,353**	**173,035**	**5,789,368**
2008 (18 July 2007 to 31 March 2008)	4,060,117	232,506	-	4,292,623

36 Related party transactions (continued)

(e) Transactions with related parties

The following transactions occurred with related parties within the Singapore Power Group:

	Consolidated		**Parent**	
	1 April 2008 to 31 March 2009 $'000	18 July 2007 to 31 March 2008 $'000	**1 April 2008 to 31 March 2009 $'000**	18 July 2007 to 31 March 2008 $'000
Service revenue				
Other revenue	**31,268**	12,203	**16,436**	9,485
Service expense				
Administration expenses	**16,638**	-	**10,367**	-
Maintenance expenses	**39,073**	8,191	**-**	-
Interest income				
Subsidiaries	**-**	-	**207,628**	111,018
Associates	**1,429**	-	**1,429**	-
Interest expense				
Other related parties	**61**	-	**61**	-
Loans to related parties				
Loans advanced to:				
Subsidiaries	**-**	-	**684,986**	5,194,129
Associates	**5,440**	6,800	**5,440**	-
Loan repayments received from:				
Subsidiaries	**-**	-	**185,022**	103,716
Loans from related parties				
Loans received from:				
Subsidiaries	**-**	-	**58,707**	508,050
Other related parties	**2,397,890**	2,118,485	**2,397,890**	2,118,485
Loan repayments to:				
Subsidiaries	**-**	-	**25,438**	-
Distribution received				
Associates	**-**	-	**6,800**	13,940

36 Related party transactions (continued)

(f) Outstanding balances with related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties within the Singapore Power Group:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Current receivables (service revenue)				
Other related parties	**13,529**	657	**84,793**	52,776
Non-current receivables (loans)				
Subsidiaries	**-**	-	**5,505,583**	5,037,637
Associates	**12,240**	6,800	**5,440**	-
Current payables (service expense)				
Other related parties	**49,609**	12,663	**58,614**	35,364
Other current liabilities (loans)				
Other related parties	**4,500,017**	2,106,484	**4,500,017**	2,106,484
Non current liabilities (loans)				
Subsidiaries	**-**	-	**523,003**	484,686

37 Business combination

(a) Summary of acquisition

On 31 July 2008, Jemena Asset Management Pty Ltd ("JAM") acquired 100% of the issued share capital of Outback Power Pty Ltd. On the same day, CLM Infrastructure Pty Ltd acquired the business and net assets of CLM Excavations Pty Ltd. On 19 November 2008 JAM acquired 100% of the issued share capital of Cape Cable Layers Pty Ltd.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Consolidated 2009 $'000
Purchase consideration (refer to (b) below)	
Cash paid (including transaction costs)	65,297
Fair value of earnout agreements	16,035
Other deferred payments	200
Total purchase consideration	81,532
Fair value of net identifiable assets acquired (refer to (c) below)	(24,155)
Goodwill	57,377

The net profit/(loss) after tax for Outback Power Pty Ltd, CLM Infrastructure Pty Ltd and Cape Cable Layers Pty Ltd for the period ended 31 March 2009 was $1.3 million, $2.4 million and ($0.05 million) respectively.

The pro forma net profit after tax for Outback Power Pty Ltd, CLM Infrastructure Pty Ltd and Cape Cable Layers Pty Ltd, assuming they were held by the Group for the entire financial period ended 31 March 2009, would be approximately $2.0 million, $3.5 million and $0.1 million respectively.

(b) Purchase consideration

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	65,297	-	-	-
Less: balances acquired				
Cash	30	-	-	-
Bank overdraft	(327)	-	-	-
Outflow of cash	65,594	-	-	-

37 Business combination (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value adjustments $'000	Fair values recognised on acquisition $'000
Cash	30	-	30
Receivables	13,877	-	13,877
Inventories	1,161	-	1,161
Other current assets	7,246	-	7,246
Plant and equipment	16,095	888	16,983
Deferred tax asset	262	-	262
Payables	(7,297)	-	(7,297)
Bank overdraft	(327)	-	(327)
Provision for employee benefits	(1,031)	-	(1,031)
Other current liabilities	(2,390)	-	(2,390)
Deferred tax liability	-	(266)	(266)
Other non current liabilities	(4,093)	-	(4,093)
Net assets	23,533	622	24,155
Net identifiable assets acquired			24,155

37 Business combination (continued)

Prior period

(a) Summary of acquisition

On 31 August 2007, a consortium comprising Singapore Power International Pte Ltd ("SPI"), Babcock & Brown Infrastructure Ltd ("BBI"), Babcock & Brown Power Ltd ("BBP"), and Babcock & Brown Wind Ltd ("BBW"), together the "Consortium", acquired Alinta Ltd and its controlled entities (the "Alinta group").

SPI created a new wholly owned subsidiary, the Company, to hold the assets allocated to it as part of the Consortium. The key components of the Alinta group, unless otherwise noted in the table below, were acquired by the Company:

Acquired assets	Interest	Location
NSW Gas Distribution Network	100%	NSW
Victorian Electricity Distribution Network	100%	VIC
Eastern Gas Pipeline	100%	VIC / NSW
Queensland Gas Pipeline	100%	QLD
VicHub	100%	VIC
Asset Management business *	*	Eastern States
ActewAGL Distribution Partnership	100%	ACT
United Energy Distribution Network	34%	VIC
TransAct	6.8%	ACT

* The asset management business comprises 100% of Jemena Asset Management Pty Ltd (formerly known as Alinta Asset Management (3) Pty Ltd) and a 49% interest in Alinta Asset Management Pty Ltd ("AAM") (comprising the eastern Australian operations of AAM which is the existing asset management business of the ex-Alinta Group). The shareholding in AAM is held 51% by WestNet Infrastructure Group Ltd (formerly known as Alinta 2000 Ltd), a company owned by Babcock & Brown Infrastructure Ltd and 49% by a wholly owned subsidiary of the Company (pending receipt of relevant consents to enable the transfer of ownership to the Company). The Company is entitled to a revenue stream from AAM which reflects the earnings derived by AAM from the east coast asset management business conducted by AAM.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	2008 (Provisional) $'000	Adjustments $'000	2009 $'000
Purchase consideration (refer to (b) below)			
Cash paid	7,083,000	-	7,083,000
Other consideration	190,525	(107,871)	82,654
Direct costs relating to the acquisition	83,000	-	83,000
Total purchase consideration	7,356,525	(107,871)	7,248,654
Fair value of net identifiable assets acquired (refer to (c) below)	(4,766,554)	68,179	(4,698,375)
Goodwill (refer to (c) below and note 20)	2,589,971	(39,692)	2,550,279

37 Business combination (continued)

(b) Purchase consideration

	Consolidated		Parent	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	-	7,083,000	-	7,083,000
Less: balances acquired				
Cash	-	43,836	-	-
Outflow of cash	-	7,039,164	-	7,083,000

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Adjustments (provisional) $'000	Fair values recognised on acquisition (provisional) $'000	Adjustments $'000	Fair values recognised on acquisition $'000
Cash	43,836	-	43,836	-	43,836
Receivables	258,922	-	258,922	(7,593)	251,329
Inventories	15,953	-	15,953	-	15,953
Property, plant and equipment	4,022,347	565,123	4,587,470	17,625	4,605,095
Investments	644,340	365,989	1,010,329	(111,117)	899,212
Intangible assets	256,992	-	256,992	16,012	273,004
Other non current assets	194,817	-	194,817	-	194,817
Deferred tax asset	17,147	26,425	43,572	-	43,572
Tax receivable	87,236	-	87,236	8,931	96,167
Payables	(261,052)	(12,620)	(273,672)	2,123	(271,549)
Debt securities	(1,251,402)	-	(1,251,402)	-	(1,251,402)
Other current liabilities	(74,320)	-	(74,320)	-	(74,320)
Deferred tax liability	(59,591)	(26,642)	(86,233)	5,840	(80,393)
Other non current liabilities	(46,946)	-	(46,946)	-	(46,946)
Net assets	3,848,279	918,275	4,766,554	(68,179)	4,698,375
Net identifiable assets acquired					4,698,375

38 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(a):

Name of entity	Country of incorporation	Class of shares	Equity holding 2009 %	Equity holding 2008 %
Jemena Electricity Networks (Vic) Ltd (formerly Alinta AE Ltd)	Australia	Ordinary	**100**	100
Jemena Gas Networks (NSW) Ltd (formerly Alinta AGN Ltd)	Australia	Ordinary	**100**	100
Jemena Asset Management Holdings Pty Ltd (formerly Alinta ASB Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Asset Management (2) Pty Ltd (formerly Alinta Asset Management (2) Pty Ltd)	Australia	Ordinary	**100**	100
Alinta Asset Management Pty Ltd	Australia	Ordinary	*	*
Jemena Eastern Gas Pipeline (1) Pty Ltd (formerly Alinta DEEGP Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Eastern Gas Pipeline (2) Pty Ltd (formerly Alinta DEGP Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Eastern Gas Pipeline Holdings Pty Ltd (formerly Alinta DENSWGH Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Queensland Gas Pipeline (2) Pty Ltd (formerly Alinta DEQP Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Queensland Gas Pipeline (3) Pty Ltd (formerly Alinta DPN Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Queensland Gas Pipeline (1) Pty Ltd (formerly Alinta DQP Pty Ltd)	Australia	Ordinary	**100**	100
Jemena VicHub Pipeline Pty Ltd (formerly Alinta DVH Pty Ltd)	Australia	Ordinary	**100**	100
Jemena EA Pty Ltd (formerly Alinta EA Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Eastern Gas Pipeline (3) Pty Ltd (formerly Alinta EGP Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Gas Transmission Pty Ltd (formerly Alinta Gas Transmission Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Networks (ACT) Pty Ltd (formerly Alinta GCA Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Group Holdings Pty Ltd (formerly Alinta Group Holdings Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Holdings Pty Ltd (formerly Alinta LGA Holdings Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Limited (formerly Alinta LGA Ltd)	Australia	Ordinary	**100**	100
Jemena Gas Pipelines Holdings Pty Ltd (formerly New Alinta ED Pty Ltd)	Australia	Ordinary	**100**	100
Jemena AC Pty Ltd (formerly Alinta AC Pty Ltd)	Australia	Ordinary	**100**	100
Jemena AEOS Pty Ltd (formerly Alinta AEOS Pty Ltd)	Australia	Ordinary	**100**	100
Jemena AFN Pty Ltd (formerly known as Alinta AFN Pty Ltd)	Australia	Ordinary	**100**	100
Jemena AI Pty Ltd (formerly known as Alinta AI Pty Ltd)	Australia	Ordinary	**100**	100
Jemena ANZI Pty Ltd (formerly known as Alinta ANZI Pty Ltd)	Australia	Ordinary	**100**	100
Jemena ASBen Pty Ltd (formerly known as Alinta ASBen Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Asset Management Pty Ltd (formerly known as Alinta Asset Management (3) Pty Ltd)	Australia	Ordinary	**100**	100
Jemena Asset Management (4) Pty Ltd (formerly known as Alinta Asset Management (4) Pty Ltd)	Australia	Ordinary	**100**	100

38 Subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2009 %	2008 %
Jemena Asset Management (5) Pty Ltd (formerly known as Alinta Asset Management (5) Pty Ltd)	Australia	Ordinary	**100**	100
Jemena ATC Pty Ltd (formerly known as Alinta ATC Pty Ltd)	Australia	Ordinary	**100**	100
Jemena ATA Pty Ltd (formerly known as Alinta ATA Pty Ltd)	Australia	Ordinary	**100**	100
Jemena ACI Pty Ltd (formerly known as Alinta CI Pty Ltd)	Australia	Ordinary	**100**	100
Jemena DAF Pty Ltd (formerly known as Alinta DAF Pty Ltd)	Australia	Ordinary	**100**	100
Jemena DB Pty Ltd (formerly known as Alinta DB Pty Ltd)	Australia	Ordinary	**100**	100
Jemena DBS Pty Ltd (formerly known as Alinta DBS Pty Ltd)	Australia	Ordinary	**100**	100
Jemena GD Pty Ltd (formerly known as Alinta GD Pty Ltd)	Australia	Ordinary	**100**	100
Jemena NT Pipelines Pty Ltd (formerly known as Alinta IO Pty Ltd)	Australia	Ordinary	**100**	100
Jemena NM Pty Ltd (formerly known as Alinta NM Pty Ltd)	Australia	Ordinary	**100**	100
Jemena NSGC Pty Ltd (formerly known as Alinta NSGC Pty Ltd)	Australia	Ordinary	**100**	100
Jemena PG Pty Ltd (formerly known as Alinta PG Pty Ltd)	Australia	Ordinary	**100**	100
Jemena RA Pty Ltd (formerly known as Alinta RA Pty Ltd)	Australia	Ordinary	**100**	100
Jemena NPSWA Pty Ltd (formerly known as National Power Services (Western Australia) Pty Ltd)	Australia	Ordinary	**100**	100
AquaNet Sydney Pty Ltd	Australia	Ordinary	**100**	100
Jemena Colongra Pty Ltd (formerly known as SPI Colongra Pty Ltd)	Australia	Ordinary	**100**	100
SPI (Australia) RE Pty Ltd	Australia	Ordinary	**100**	100
Rosehill Water Pty Ltd	Australia	Ordinary	**100**	-
Rosehill Water Network Pty Ltd	Australia	Ordinary	**100**	-
SPI Rosehill Pty Ltd	Australia	Ordinary	**100**	-
SPI Rosehill Network Pty Ltd	Australia	Ordinary	**100**	-
CLM Infrastructure Pty Ltd	Australia	Ordinary	**100**	-
Outback Power Pty Ltd	Australia	Ordinary	**100**	-
Cape Cable Layers Pty Ltd	Australia	Ordinary	**100**	-
Jemena New Zealand Ltd (formerly Alinta NZ Ltd)	New Zealand	Ordinary	**100**	100
Jemena NZE Ltd (formerly Alinta NZE Ltd)	New Zealand	Ordinary	**100**	100
Jemena NZH Ltd (formerly Alinta NZH Ltd)	New Zealand	Ordinary	**100**	100
Jemena NZM Ltd (formerly Alinta NZM Ltd)	New Zealand	Ordinary	**100**	100
Jemena NZTCH Ltd (formerly Alinta TCH Ltd)	New Zealand	Ordinary	**100**	100
Jemena NZDE Ltd (formerly Data Engineering Limited)	New Zealand	Ordinary	**100**	100
Jemena NZNPS Ltd (formerly National Power Services (New Zealand) Ltd)	New Zealand	Ordinary	**100**	100

* The Group has a 49% interest in Alinta Asset Management Pty Ltd ("AAM"), an existing asset management business of the ex-Alinta Group. The shareholding in AAM is held 51% by WestNet Infrastructure Group Ltd (formerly known as Alinta 2000 Ltd), a company owned by Babcock & Brown Infrastructure Ltd and 49% by a wholly owned subsidiary of the Company (pending receipt of relevant consents to enable the transfer of ownership to the Company). The Company is entitled to a revenue stream from AAM which reflects the earnings derived by AAM from the east coast asset management business conducted by AAM.

39 Investments in associates

Carrying amounts

	2009 %	2008 %	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Investment in United Energy Distribution Holdings Pty Ltd	**34**	34	**88,862**	124,230	**141,353**	265,760
Redeemable preference shares	**34**	34	**129,677**	124,460	**129,677**	-
			218,539	248,690	**271,030**	265,760

(a) Summarised financial information of associates

	Ownership Interest %	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2009					
United Energy Distribution Holdings Pty Ltd	34	2,313,365	2,344,031	427,109	10,116
2008					
United Energy Distribution Holdings Pty Ltd	34	2,211,791	2,030,714	261,521	15,784

40 Interest in joint ventures

	2009 % Interest	2008 % Interest
Actew AGL Distribution Partnership	**50**	50

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Carrying amount of investment in partnership	**649,250**	740,684	-	-
	649,250	740,684	-	-

41 Events occurring after the balance sheet date

On 1 May 2009, the Australian Energy Regulator ("AER") released its final report on the Weighted Average Cost of Capital ("WACC") to be used in determining tariffs for electricity distribution and transmission businesses. This determination will be applied to Jemena Electricity Network's next regulatory reset period 2011-2015.

On 1 May 2009, Westnet Infrastructure Group Ltd (formerly known as Alinta 2000 Ltd), a company owned by Babcock and Brown Infrastructure Ltd, transferred its 51% ownership of Alinta Asset Management Pty Ltd ("AAM") to a wholly owned subsidiary of the Company. AAM is therefore, from 1 May 2009, a wholly owned subsidiary of the Company.

Refer to note 38 for details regarding the ownership of AAM in the financial year ending 31 March 2009.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company or Group, the results of those operations or the state of affairs of the Company or Group in subsequent financial years.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 72 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and Group's financial position as at 31 March 2009 and of their performance for the financial period ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Quek Poh Huat
Director

Paul John Adams
Director

Date: 4th May '09

KPMG

Independent auditor's report to the members of SPI (Australia) Assets Pty Ltd

We have audited the accompanying financial report of SPI (Australia) Assets Pty Ltd (the Company), which comprises the balance sheets as at 31 March 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 41 and the directors' declaration set out on page 73 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of SPI (Australia) Assets Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 March 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Michael Bray
Partner

Melbourne

4 May 2009

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